

NEWS: INTERNATIONAL

Moscow summit agrees to pool resources in fight against smuggling of atomic materials and terrorism

Safety tops leaders' nuclear priorities

By Bruce Clark and Chrystia Freeland in Moscow

The Group of Seven leading industrial nations and Russia have pledged to give absolute priority to safety in civil nuclear power generation and to pool their efforts to combat nuclear smuggling and terrorism.

"Nuclear safety has to prevail over all other considerations," said a statement on power generation issued after the Moscow summit, which was billed by the host, President Boris Yeltsin, as an attempt "to turn the atom into a factor of co-operation, partnership and peace".

However the participants skirted round their differences over what constitutes a safe reactor design - and over how best to dispose of the huge quantities of uranium and plutonium that are being released as nuclear warheads are dismantled.

The eight leaders reaffirmed their commitment to "the highest internationally recognised safety level" for the siting, design and operation of power stations.

But their final statement avoided the question of whether the RBMK design - used in Chernobyl in Ukraine, as well as 11 reactors in Russia and two in Lithuania - is

inherently unstable, as most western experts believe.

In a concession to western pressure on Russia and Ukraine to limit the damages payable by western companies engaged in nuclear engineering, the summit communiqué called for a nuclear liability regime that would "protect industrial suppliers from unwarranted action..." The risk of incurring vast liabilities in the event of an accident has discouraged companies from undertaking ambitious nuclear safety projects in the former Soviet Union.

The eight leaders promised to "identify appropriate strategies" for the management of fissile material that was no longer needed for defence purposes and noted that the options included long-term storage, vitrification and conversion into mixed-oxide fuel (MOX) for use in reactors.

Opinions within the G7 differ over how best to guard or absorb the bomb-grade uranium and plutonium which are piling up in Russia.

The west Europeans, led by France, broadly favour the conversion of old plutonium into MOX, while US officials fear this option will simply encourage extra plutonium production, and say the substance should as far as possible be taken out of circulation.

The US, which has launched an ambitious programme to buy up bomb-grade uranium, strongly opposes a project by a German laboratory to buy a small quantity for use in a research reactor.

On the delicate subject of nuclear smuggling, the eight leaders have agreed to work much more closely together - while acknowledging, in a sop to Russian sensitivities, that each nation must take responsibility for its own stocks.

"The leakage of weapons-grade nuclear materials from the former Soviet Union is already occurring and could easily get worse in frequency and magnitude," reported Prof Allison, who said the lax security at some Russian installations was virtually an open invitation to theft by rogue states or terrorists.

Big German union rejects pay freeze

By Peter Norman in Bonn

Germany's public sector workers' trade union yesterday warned the government it would not accept a wage freeze as part of spending cuts and other measures to revive the economy that are due to be decided on this week.

Mr Herbert Mai, head of the OTV trade union, was responding to reports that the government would seek a two-year freeze for civil servants and white and blue collar public sector workers. He appeared to hint at possible strike action. "We will find ways, available to us as a trade union, if the zero round stays on the table," he said.

Despite his rhetoric, Mr Mai's negotiating position has weaknesses. The German public sector employs nearly 2m civil servants in addition to the OTV's 3.24m members. Civil servants have almost total job security but they may not strike and their pay is set by parliament. If the Bundestag decided to freeze civil service pay, the OTV would come under heavy pressure to fall into line.

Moreover, recent pay settlements in the private sector, where there is less job security than in public service, have increased pressure for moderation in the public sector. Late last week, wage bargainers for 200,000 workers in the printing industry followed the example of the building industry and settled for pay increases of 1.85 per cent.



Giulio Andreotti, ex-premier now on trial over Mafia charges, votes in Rome yesterday in Italy's general election

Italian parties expect close outcome in poll

By Robert Graham in Rome

Italians went to the polls yesterday to elect their 13th post-war legislature, with the contending centre-left and right-wing alliances predicting a close result.

With the outcome expected to be determined by some 50 marginal constituencies in a complex electoral system, the final result in Italy's third general election in four years is unlikely to be known before tomorrow.

Voters were asked to choose between two broad groupings - the centre-left Olive Tree alliance headed by Mr Romano Prodi, an economics professor, and the right-wing Freedoms Alliance led by former premier Mr Silvio Berlusconi. The bulk of the marginal seats were in the north, where there was a three-cornered fight with the populist Northern League of Mr Umberto Bossi.

The Olive Tree was convinced it had won the propaganda war in the final stages.

Opinion polls, whose publication was forbidden during the campaign but which leaked out, indicated the centre-left could win control of the 315-seat Senate but not the 630-seat Chamber of Deputies.

But polls have never been very accurate in Italy, especially in the last two elections where almost a third of the electorate remained undecided until the end.

The uncertainty over the result is likely to produce an anxious day on the foreign exchange markets today, with investors waiting to see if either of the two alliances can obtain a clear majority.

Italy is the third biggest bond market in the world after the US and Japan. Financial analysts said any prospect of a stable government would boost the lira and investment in the Italian market.

Yesterday was the first time an Italian election had not been spread over two days with polling stations open from 7am until 10pm. A total of 48.9m people were eligible to vote in an ageing population of 57m. The high number of eligible voters included some 2.5m registered outside the country, few of whom were expected to be able to vote. Only those aged 25 and over were eligible to vote for Senate candidates.

Three-quarters of the seats were contested on a first-past-the-post system introduced in the March 1994 elections. The remainder were allocated by proportional representation. Parties united to fight the first-past-the-post seats but fielded candidates under their own banners for the proportional seats, whose rules favour the smaller groups who can win over 4 per cent of the vote nationally.

With support for the Olive Tree more concentrated in certain constituencies for the chamber of deputies, the alliance could well win a larger share of the vote but a smaller number of seats. But even if the right wing gained a majority in the chamber, the inability to control the Senate in Italy's 61-seat parliamentary system would make it impossible to govern.

The election was caused by the inability of the year-old government of Mr Lamberto Dini, composed of non-parliamentarians, to sustain a viable majority.

Iranian conservatives have lost their overall majority in parliament after a challenge by a newly formed band of reformists in bitterly fought elections that left no group in absolute control, analysts said yesterday. The conservative Combatant Clergy Association (CCA), they estimated, would have no more than 120 seats of the assembly's 270 seats - 20 fewer than at present - and the reformist Servants of Iran's Construction (SIC) 90-100 seats. The remaining seats were thought to have been divided among centrists, independents and those assigned to religious minorities.

The SIC was formed in January by senior officials and executives of state institutions in support of President Akbar Hashemi Rafsanjani's moderate policies. Parliament is a powerful and independent political institution in the 17-year-old Islamic republic and has slowed or blocked government proposals with which it disagrees.

The CCA has used its current majority to delay reforms proposed by Mr Rafsanjani to liberalise the oil-dominated economy and lift subsidies on food and fuel. *Reuter, Tehran*

Israel lifts key interest rate

The Bank of Israel raised its key lending rate by 0.8 percentage points to 14.8 per cent yesterday. Analysts said rising inflationary pressures gave the bank little choice, but some said it was too steep and others not enough.

Commercial banks reacted to the news by raising prime rate by 0.8 percentage points to 16.3 per cent. The stock market opened with losses and fell steadily throughout the day.

The bank blamed the rise on relatively high increases in the consumer price index in recent months, higher inflationary expectations and rapid growth in money supply, which meant the government might fail to reach its target of cutting inflation in 1996 to between 8 and 10 per cent. The consumer price index jumped 1 per cent in March to give an annual increase of 10.8 per cent.

Some economists felt the Bank of Israel should have raised interest rates even more. "The bank clearly had no choice this month but to raise rates. But 0.8 per cent is a compromise," said Mr Jonathan Katz, senior economist at Capital Holdings consultants. General elections scheduled for May 29 as well as the tense situation generated by fighting on Israel's border with Lebanon in the past 10 days make it difficult for the central bank to tighten monetary policy further, analysts said.

Reuter, Tel Aviv

Groups claim New Delhi blast

Two separatist groups claimed yesterday to have set off the powerful bomb that killed at least 17 people in New Delhi on Saturday in order to punish rivals and stop elections next month in troubled Kashmir. The blast toppled a lodging house in the crowded heart of the capital, killing eight foreigners and injuring 32 people, police said. They said three Nigerian men, two French nationals and two Britons were among the eight foreigners who died.

A joint statement from the Islamic Harkat-ul-Mujahideen and the Khalistan Liberation Force distributed to newspapers in Srinagar, summer capital of the northern state of Jammu and Kashmir, said the bomb had been triggered by remote control. "Some anti-movement activists, including some foreigners of friendly neighbouring countries of India, were holding a meeting when the bomb was exploded, killing all of them," it said.

The blast, one of the worst in the city's history, occurred a week before the start of India's general election. Voting begins on April 27 and ends on May 30 in Kashmir. *Reuter, New Delhi*

Nigeria deposes head of Islam

Nigeria's military government has deposed Alhaji Ibrahim Dasuki as Sultan of Sokoto for allegedly failing in his duties. Mr Dasuki is a former civil servant who became powerful in business and politics before he was installed as sultan in 1988 by former military ruler Ibrahim Babangida, a close associate.

By tradition, the sultan is officially head of Islam in Africa's most populous nation and unofficially a powerful force in Nigeria's ruling northern clique. But since General Sani Abacha became head of state in late 1993 the influence of the sultanate has declined. Mr Dasuki has fallen out of favour, while rival traditional rulers such as the Emir of Kano are in the ascendancy.

Mr Dasuki heads the Supreme Council of Islamic Affairs, but the government has backed a new Islamic organisation. The pilgrims by the Saudi authorities.

Muhammad Macatto, whose father was the sultan before Mr Dasuki, was named as the new sultan yesterday, according to local journalists in Sokoto.

Paul Adams, Lagos

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Big German union rejects pay freeze

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Iran gains stronger role in Mideast peace process

By David Gardner in Beirut

The crisis in Lebanon is turning into a rare foreign policy success for Iran, winning it a seat near, if not at, the Middle East peace table.

The Tehran regime's ideological influence on and financing of Hezbollah, the Shia fundamentalist militia fighting Israeli occupation of south Lebanon, has made Iran a participant in the current negotiations to get a ceasefire between Israel and Hezbollah.

As Mr Warren Christopher, US secretary of state, shuttled between Damascus and Jerusalem yesterday, attempting to gather into one channel separate mediation efforts, Mr Ali Akbar Velayati, Iran's foreign minister, was in Damascus ploughing his own regional furrow.

Iran has yet to realize any concrete gains from the crisis. But senior officials in Beirut and Damascus believe that implicit in Israel's war aims and last week's US plan to end the confrontation

were a bid to destroy Tehran's influence in the Levant, by driving a wedge between Syria and Iran, and by discrediting Hezbollah.

Instead, after last Thursday's killing of 108 Lebanese civilians by Israeli shells and rockets, Iran has become a factor in the peace equation, and Hezbollah's popularity has been bolstered by a wave of outrage at Israel across Lebanon.

"Iran wants to force the US into direct talks," said a senior Arab official close to the negotiations.

Mr Velayati has already had talks with Mr Hervé de Charette, French foreign minister, in Damascus, but no known contact with the US.

Along with Syria, the military overlord in Lebanon and ultimate controllers of Hezbollah, Mr Velayati favoured France's suggested return to something like 1993's US-brokered rules of engagement between Israel and Hezbollah, under which each side undertook not to target civilians, rather than the US plan which would have put an end to

Hizbullah resistance inside occupied south Lebanon as well.

"In view of the unconditional support given by Washington for the recent crimes of the Zionist regime, there is no optimism regarding the US proposal for ending the crisis," Mr Velayati said in Damascus on Saturday, hoping to add a dent to Washington's already battered image as honest broker in the region.

However, by yesterday, he was more conciliatory, insisting that

Iran's intention was to contribute towards ending "the suffering of the Lebanese people".

Alongside him - live on CNN - was Sheikh Hassan Nasrallah, Hezbollah's leader, who said that "if attacks on the people of Lebanon stop, we have said on more than one occasion that we will stop firing Katyushas" into northern Israel.

The latter will be included in an Israeli ceasefire offer, which Mr Christopher and Mr Shimon Peres, Israel's prime minister, said they

hoped President Hafez al-Assad of Syria would endorse last night.

But Iran will still be able to wield influence in discussion of the longer-term security arrangements to follow, because of its influence on Hezbollah. Neither Syria - which uses Hezbollah as a prod to Israel in its own suspended peace negotiations on Israeli withdrawal from the Golan Heights - nor Iran will accept the disengagement of Hezbollah before Israel withdraws from south Lebanon.

Arafat seeks to win crucial charter changes

By Julian Ozanne in Jerusalem and Alexandra Capello in Damascus

Palestinian President Yasser Arafat faces a crucial test of political support for his peace accords with Israel this week when the Palestinian National Council, the supreme Palestinian decision-making body, convenes in Gaza for the first time since 1991.

Veteran Palestinian leaders, former hijackers and people who once headed Israel's most wanted list will discuss Mr Arafat's request to remove articles from the 1964 Palestinian charter calling for the destruction of the state of Israel. This is a key Israeli demand for continuing the peace process and is seen as vital to the fortunes of Mr Shimon Peres, Israel's prime minister, at May 29 polls.

The "parliament-in-exile" will be meeting for the first time on Palestinian land. It will also be the first time the peace accords are submitted to democratic discussion by representatives of Palestinians inside and outside the territories.

Changing the charter would consolidate the transformation of the Palestine Liberation Organisation from a guerrilla movement and would entrench Palestinian acceptance of a two-state solution in the historical land of Palestine. But the move faces strong

opposition, particularly from those who represent the views of up to 4m Palestinian refugees and who oppose the peace accords. Opposition has been bolstered by Israel's nine-week closure of its borders with Palestinian territories which has crippled the Palestinian economy.

Damascus-based leaders such as Mr George Habash of the Popular Front for the Liberation of Palestine (PFLP) and Mr Nayef Hawatmeh of the Democratic Front for the Liberation of Palestine (DFLP) have refused to end their exile to attend the meeting. They have also raised the prospect that their members on the PNC might boycott the meeting. Mr Farouk Kaddoumi, one of the most senior members of Mr Arafat's Fatah faction of the PLO, will also not attend.

Although Mr Arafat will probably be able to gather enough support to push the changes through, such a boycott will deny legitimacy to what officials view as the PNC's most crucial meeting in PLO history. It would also expose the deep political divisions in Palestinian society over the peace process and the rift between leaders inside and outside Palestinian territories.

The "rejectionists" oppose the peace process, believing it cannot deliver Palestinians' minimum political aspirations, which include an independent state with Jerusalem as its cap-



Palestinians burn an Israeli flag yesterday during a protest in Gaza City against the massacre in Lebanon

ital and the right of refugees to return.

When these sensitive issues are tackled in "final status" negotiations, due to begin in May and last three years, they believe, Mr Arafat will be forced into big concessions to Israel which will lead to widespread disaffection.

But opposition boycott tactics may backfire. Mr Habash and Mr Hawatmeh have seen their support inside the West Bank and Gaza Strip crumble since the Israel-Palestinian peace agreement was signed in 1993. Although both remain respected, the public mood is overwhelmingly behind the peace process and the opposition has failed to come up with a convincing alternative.

The PLO rejectionists have often appeared hopelessly marginalised, increasingly unable to stamp their mark on the emerging political reality inside the Palestinian territories and unwilling to follow the Hamas Islamic Resistance Movement in continuing armed struggle.

Many supporters of the DFLP and PFLP inside the West Bank and Gaza Strip openly disagree with the boycott policy and have been actively considering breaking with the Damascus leadership and participating in the new institutions being created.

Mr Rafiq Hariri, Lebanon's embattled prime minister, wants more from negotiations to end the latest Middle East crisis than a halt to Israel's 11-day bombardment of his country. He wants Israel out of Lebanon altogether.

The country, struggling to rebuild its economy and its cohesion after the devastating civil warfare involving its 17 minority communities between 1975 and 1990, could no longer live with short-term and illusory solutions which keep turning the country into the region's battleground, Mr Hariri said in an interview at his Beirut home.

"This method of partial solution is wrong. Why don't we try to solve the problem?" he asked. "We end up having to live with these short-term solutions for 18 years."

It is 18 years since Israel's first incursion into Lebanon in 1978. That was followed by a full invasion and the destruction of much of Moslem West Beirut in 1982, and Israel's subsequent creation of its "security zone" in southern Lebanon, occupying 12 per cent of the country's territory.

The 1983 invasion and Israel's pull-back by 1985 under heavy attrition from Shia Moslem militias led directly to the emergence of Hezbollah, the Shia fundamentalist force fighting the Israeli occupation. Israel says its 1993 air blitz of south Lebanon and the current "Grapes of Wrath" operation are intended to smash Hezbollah. It follows, in Mr Hariri's analysis, that "the problem" is,

first of all, the occupation, and only then the resistance to it. "If they are looking for security, it's right there," he said, in reference to the 1978 UN Security Council Resolution 425 requiring Israel to withdraw from Lebanon. Of Mr Shimon Peres, Israel's prime minister, whom he has never met, he said: "He is in my country, and he is saying that he is defending himself."

"Enough is enough. Israel

has to accept that it cannot keep launching air raids, destroying the country again and again as it has done for 18 years. The Israelis cannot be talking about peace and making war at the same time. They have to change their methods."

Israel "made a big mistake invading Lebanon" in 1982 and intervening in the country's tribal wars, he said. "They got used to playing the Lebanese game and got sucked into the quicksand," leaving south Lebanon as Israel's only active war front after five years of peace deals with its Arab neighbours. Mr Peres, he insisted repeatedly, was also making a "mistake" with the current assault.

What Mr Hariri clearly senses is the opportunity to push the issue of Israel's occupation of south Lebanon up the

Middle East peace agenda. By shelling the UN refugee shelter in Qana last Thursday, killing 101 people, mostly women and children, "Israel committed a crime and cannot be allowed to get away with it," he said. A US-Israeli plan linking a ceasefire to an end to Hezbollah action against Israel appears to be giving way to a French-initiated plan to tighten up the 1993 US-brokered rules of engagement.

Rafiq Hariri tells David Gardner that Israel's occupation of Lebanon is the primary problem

between Israel and Hezbollah, where both sides agree to refrain from targeting civilians.

The circumstances are thus propitious for Lebanon's prime minister to highlight the root cause of the conflict.

Neither Lebanon, nor Hezbollah, the country's only civil war militia which has not been disarmed, is its own master. The civil war not only left Israel in possession of the south, but also left 35,000 Syrian troops controlling security in the rest of the country.

Damascus arbitrates in Lebanon. Hezbollah operates with Syrian backing, and with financing and inspiration from Iran.

For both countries the militia is a means of keeping up pressure on Israel, and by

extension, the US. Under these circumstances, the proposition that an end to occupation will end resistance may be too simple, particularly for Israel.

Whether or not Mr Hariri can keep the Israeli occupation at the forefront of negotiations, he is articulating forcefully the one issue which unites all Lebanese, irrespective of sect, clan or religion - and never before.

The billionaire tycoon has grown in stature in the past 10 days, using his wide range of international contacts artfully. He was scarcely known in Lebanon until he helped negotiate an end to the civil war, and then, as prime minister, came to embody the country's attempts to reconstruct.

Before this crisis, Mr Hariri resisted the occupation, the resistance, and indeed the task of national reconciliation after the civil war, were beyond Lebanon's resolution, and concentrated on physical reconstruction. The notion that you could have the latter without the former was already unravelling before Israel's bombs started hitting Shia villages and infrastructure which had just been repaired.

However the negotiations turn out, Mr Hariri's challenge will be to solidify the country's cohesion, inspired by opposition to Israel, so that it underpins the reconstruction effort. How far has that effort been set back? "I can't tell you now," he said. "But the final answer will depend on the result of this negotiation."

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NEWS: INTERNATIONAL

Attempt to calm investment rule fears

By William Dawkins

The world's four top trading powers yesterday agreed that the World Trade Organisation should discuss setting international rules on the treatment of foreign investment.

The decision, at the Quad trade meeting in Kobe yesterday, is intended to assuage concerns of developing countries, which fear that an international investment accord being negotiated by richer countries in the 26-nation Organisation for Economic Co-operation and Development will be imposed on them.

The trade ministers agreed to set up an informal working group, including developing nations, to study possible WTO rules on the fair treatment of foreign investors, with a view to establishing a formal group at the next WTO ministerial meeting in Singapore in December.

Officials said the group was not intended to supplant the OECD negotiations, but merely to ensure that developing countries' concerns were heard.

The Singapore meeting will also debate labour standards. Controversy broke out over this yesterday, when the US voiced concern that countries with low labour standards were attracting more than their fair share of investment. However, the EU maintained that labour standards should be dealt with in the International Labour Organisation as a human rights problem, rather than as a trade issue.

Quad members also agreed that the Singapore meeting should debate the possibility of setting global rules for fair competition, an increasingly important part of international trade relations. Diplomats said the aim would not be to set up a world competition authority, but to seek agreement on common rules, backed by a disputes mechanism.

Brittan's insistence on access to Japan's chip market rebuffed at Quad trade talks

EU and US clash over global IT pact

By William Dawkins in Kobe

The European Union has clashed with the US by warning it will support an ambitious plan to dismantle world trade barriers in information technology products only if it gets agreement on fair access to Japan's semiconductor market first.

The ultimatum, delivered at a weekend meeting of trade ministers of the big four Quad trading powers - the US, the EU, Japan and Canada - by Sir Leon Brittan, Europe's trade commissioner, met a clear rebuff from Ms Charlene Barshefsky, the acting US trade representative.

She reiterated that Washington was seeking renewal of a five-year-old bilateral semiconductor accord with Japan, due to expire on July 31, which reserves 30 per cent of Japan's chip market for foreign suppliers. The EU has complained that the pact discriminates

against European suppliers. Brussels also wants to extend the proposed global information technology agreement (ITA) to other sectors, such as pharmaceuticals, so that Europe would not be unfairly disadvantaged by dropping its high tariffs on electronic components.

But Ms Barshefsky argued that the ITA, originally a US-EU initiative, must stand or fall on its own merit. She strongly resisted any attempt to link moves to cut trade barriers in semiconductors and information technology, and pointed out that the ITA had strong support from information technology companies in all four Quad nations. She accused the EU of exerting an end to the bilateral chip pact at one moment and seeking to be included in it the next.

The EU was only prepared to remove import duties on electronic components "provided that access to the market for

semiconductors is addressed

and especially access to the Japanese market", Sir Leon said. The EU had to be involved in a new semiconductor accord, whether it was governmental or - as Brussels would prefer - between industries. Access to Japan's semiconductor market had to be "substantial, effective and non-discriminatory", he said.

A senior EU official



Charlene Barshefsky (right) greets (from right) Shunpei Tsukahara of Japan, Art Eggleton of Canada and Sir Leon Brittan

explained: "You can hardly expect us to lower our tariffs without being satisfied that we have effective and non-discriminatory access to the Japanese market." Japanese officials did not rule out the EU's request for participation in a semiconductor agreement.

Quad members agreed to push ahead with negotiations on an ITA despite the EU-US dispute. However, the US came

under fresh pressure over the weekend to compromise on its insistence on a renewed bilateral intergovernmental semiconductor pact.

Mr Shunpei Tsukahara, Japan's minister of international trade and industry, declined a US request for government talks on the grounds that he would prefer first to see the outcome of industry talks, due for comple-

tion in June, just a month before expiry of the pact.

Tokyo wants to let the semiconductor deal expire on the grounds that the pact has exceeded its task, bringing the actual foreign share of the Japanese chip market to 30 per cent and that Japan is being asked to set official import targets, against the spirit of WTO free trade rules.

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Dole pays price of battle on two fronts

Senator Bob Dole always knew he would have a problem after securing the Republican presidential nomination so early in the election year. It was how best to keep his campaign for the White House alive and kicking during the long months before the party conventions in August.

His answer was logical enough - and forced by the reality that he had virtually exhausted his allotted \$87m in primary campaign funds while President Bill Clinton, his November opponent, still has \$16m to spend over the summer.

So he decided to use his perch as Senate majority leader to wage legislative battle against Mr Clinton focusing on those issues most likely to interest the electorate in the campaign proper. This is a 20th century first - no majority leader has previously taken on an incumbent president.

But the first week of the new session on Capitol Hill has merely demonstrated how difficult it is simultaneously to try to run an unruly Congress and a national campaign. That was merely underlined in last Friday's Los Angeles Times national poll, which gave Mr Clinton a hefty 58-37 point lead and showed growing disaffection with the Republican majority in the legislature.

In that week Mr Dole suffered defeat and embarrassment by turns. He saw his own amendment to a healthcare insurance bill voted down in the Senate. He said he would press the cause - the creation of medical savings accounts - in the next step of joint conference committee, but that may come only at the cost of sacrificing a bill that enjoys broad bipartisan support.

Most stinging was the fact that the motion against these accounts, seen by critics as favouring the rich, was proposed by his friend and fellow Republican from Kansas, Senator Nancy Kassebaum.

Mr Dole was also forced to pull from the Senate floor another high-priority item, the immigration bill, so as to avoid a vote on increasing the federal minimum wage, a Democratic cause. But by the end of the week, Republicans, alive to their own re-election prospects, were jumping on the minimum wage bandwagon and Mr Dole was half-conceding that some increase might be inevitable.

Comparable problems loom all across the legislative agenda, as Mr Dole tries to balance conservative demands and the needs of a more centrist campaign. Even agreeing on a budget for the current fiscal year, now over half over, remains fraught with difficulty. Yet another temporary funding resolution may be needed this week when the current one expires so as to avoid another partial closure of the government.

Vice-President Al Gore warned that Mr Clinton stood ready to veto a budget bill if Republicans insisted on adding conditions weakening the enforcement of environmental regulations. It was an easy threat, since public opinion, as well as many moderate Republicans, see reasonable protection of the environment as a potent electoral issue for Democrats and Mr Clinton.

An overall seven-year balanced budget agreement is also theoretically still on the table, as are some of its components, parts, reforms of the major social safety net programmes. The problematic calculation for Mr Dole is whether he is better off with no agreements, blaming Mr Clinton for the failure but running the risk of being blamed himself, or with them, which means he would have to share credit with a president whom he is seeking to replace.

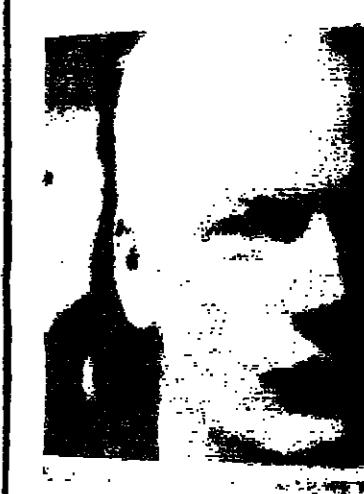
Capitalising on Mr Dole's dilemmas, some Democrats, such as Senator Jay Rockefeller of West Virginia, have mischievously proposed that he stand down as majority leader to concentrate on running for president.

All is far from lost for Mr Dole. The consensus view is that his deficit in the polls must narrow as November approaches. But Capitol Hill, his milieu, is proving a steeper slope to climb than he might have imagined.

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Beijing 'steps up fight' against pirate CD makers

By Tony Walker in Beijing

newspaper that China was implementing laws to stamp out violations of patents, trademarks and copyrights. He did not provide details of the

Attempt to forestall US sanctions against more than \$1bn imports

targeted pirate CD factories.

Ms Charlene Barshefsky, acting US trade representative, told Chinese officials in Beijing this month that US patience was wearing thin on China's indifferent record in implementing a 12-month old agree-

ment to curb abuses of intellectual property rights (IPR).

She is understood to have outlined steps which needed to be taken to persuade the US

not to provide details of the

imposing punitive tariffs on Chinese imports more or less equivalent to losses suffered by US producers of pirated information and entertainment products.

US officials say some 34 pirate CD factories have been operating in China, with production capacity of 90m discs a year. Much of this capacity was devoted to exports, with Hong Kong a major distribution point.

"China's enforcement authorities have yet to target major manufacturers and distributors of pirate products... and China has not yet

opened its markets to our creative industries," said a senior US official in February.

Mr Duang, director general of the State Council's intellectual property executive committee, said China had sent official supervisory teams into "every CD production line" to prevent piracy. It had also cracked down on karaoke bars which were major consumers of pirate products.

"It's safe to say that few other countries have expended so much energy on dealing with the IPR problem as China," said Mr Duang. "Ignorance of such

efforts is just unreasonable."

US officials say China has not done nearly enough to live up to undertakings made in February 1995 to both curb IPR abuses and to improve market access for education and entertainment products.

They have made it clear heightened Chinese efforts to stamp out piracy will be an important consideration when the administration decides whether to renew China's Most Favoured Nation trading status in the US. A decision on MFN, which accords China preferential tariffs, is due by June 4.

UK sees progress in talks with China on HK

By Peter Montagnon, Asia Editor

Britain and China made "important progress" on securing the future of Hong Kong's civil service in talks over the weekend but failed to reconcile their differences over China's plans to abolish the territory's Legislative Council.

The two countries agreed that all Hong Kong civil servants should stay on after Hong Kong reverts to China next year, Mr Malcolm Rifkind, UK foreign secretary, said after a two-hour meeting with his Chinese

counterpart in Holland.

The agreement appears finally to lay to rest fears that civil servants might be required to submit to loyalty tests after the handover.

Such fears have prompted a serious slippage of confidence in Hong Kong in recent weeks, but Mr Rifkind said Mr Qian Qichen, China's foreign minister, made no suggestion that any such tests would be required.

The crucial point was that both countries were committed to a politically impartial civil service, he said.

It should be loyal and dedi-

cated to the Hong Kong government up to the handover and to the government to be installed by China thereafter.

Agreement by China to recognise the sole authority of Governor Chris Patten, the Legislative Council and the UK Privy Council until the handover should provide further reassurance, Mr Rifkind said.

Hong Kong legislators have expressed fears that China's transitional institutions might seek to assume the role of a parallel government ahead of the handover.

For its part, China maintains Mr Patten's reforms were themselves unconstitutional.

"This attitude is going to

cause great trouble for all of

us: China, Britain and Hong Kong," Ms Christine Loh, a pro-democracy Legislative Councillor, said in London, where she is lobbying politicians ahead of a House of Lords debate on Hong Kong this week.

Protests at the abolition of LegCo could mar the handover celebrations and force China to impose restrictions on foreign press reporting as soon as it has taken over, she said.

The abolition of LegCo was "neither acceptable nor necessary", Mr Rifkind said after Saturday's talks.



Qian Qichen: No suggestion of requiring tests of loyalty

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Islamabad to seek up to \$2.7bn aid

By Farhan Bokhari

Pakistan's central bank, the State Bank of Pakistan, has replaced the entire board of United Bank (UBL), the second largest public sector bank.

The move is widely seen as an attempt to halve declining confidence in the future of the bank, which was sold last month to Saudi Arabia's Bisaharhi group.

The transfer of management to UBL's new buyers, however,

has been delayed, after some of its depositors got a court order blocking the sale on the grounds that depositors' interests were not given consider-

ation when the government decided to sell the bank.

Mr Muhammad Yaqub, Pakistan's central bank governor, told a news conference on Saturday at the bank's headquarters in Karachi: "The new management has been directed to initiate steps to ensure prudence in lending... and to reduce administrative costs of the bank."

Mr Yaqub also said the change of management would neither impede nor speed up the privatisation process. However, independent bankers said the action was probably taken to ensure that the delay in privatisation, due to the court order, did not further harm

UBL's financial position. The bank has more than 1,600 branches, mainly located in Pakistan.

UBL's profits have been badly battered by widespread inefficiency and growing burdens caused by huge debts that have gone bad. Last year, its pre-tax profits dropped to only Rs7m (\$203,000) against Rs29m in 1993. In 1994 up to 48 per cent of UBL's expenditure went on staff.

The bank's troubles have also mounted due to some Rs25bn in bad debts. These include loans in the form of political patronage since banks were nationalised in Pakistan in the early 1970s. Since then, many borrowers have paid neither the principal nor the interest.

Mr Nasir Bukhari, a leading Karachi stockbroker whose company deals in a large number of bank shares, said yesterday: "The bad debt problem of UBL should first be resolved by the government, using the authority of the state, and then the bank should be offered for sale."

Many other analysts are convinced that UBL will emerge as an important test case in assessing the government's ability to restructure an important financial institution.

According to estimates released last week by the federal bureau of statistics, a government agency, the trade gap widened to \$2.69bn in the nine months, up from \$1.65bn for the same period last year.

There are also growing worries about a significant increase in imports during the first nine months of the current fiscal year.

According to estimates released last week by the federal bureau of statistics, a government agency, the trade gap widened to \$2.69bn in the nine months, up from \$1.65bn for the same period last year.

Mr Hafeez Pasha, a former commerce minister said: "The important issues that will come up [at the consortium] will be issues like bank borrowings and Pakistan's international trade position."

Many western economists concede that they are concerned over the growing trade deficit despite a 10 per cent devaluation of the Pakistani rupee in October last year.

However, government officials insist that the results of the devaluation should start appearing in the next few months, as there was bound to be a time lag between that measure and growing export income.

Laurel

دیوان الدخل

NEWS: UK

Global accounting body challenged

By Jim Kelly
Accountancy Correspondent

The UK is to lead a revitalised international grouping of the world's leading accounting standard setters in a move designed to increase the influence of British accounting on the search for a global accounting code.

The development will be seen as a significant challenge to the International Accounting Standards Committee (IASC) which, under the leadership of Sir Bryan Carsberg, has successfully pushed for-

ward international harmonisation.

Sir David Tweedie, chairman of the UK's Accounting Standard's Board, has accepted the position as the first chairman of G4 - a previously informal grouping of the UK, US, Australian and Canadian accounting standard setters.

The move will be seen as an attempt by the world's leading standard setters to increase their influence on Sir Bryan's organisation during a two-year period in which the IASC is attempting to write a global accounting code.

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If successful, this project, offers big enterprises the chance to use one set of accounts throughout the

world. At present companies have to produce separate accounts to enter some markets, such as those in the US.

The G4, which has been in existence for two years, hopes that it can increase its influence on the IASC and prompt it to streamline its organisation.

If unsuccessful in its attempts to influence the IASC, some observers believe G4 might try and promote harmonisation independently of the IASC. It has been suggested that the US Financial Accounting Standards Board might try to become an international body itself by inviting a European or Japanese member on to the board.

Lex, Page 24

Lloyd's warns that US Names may miss out

By Ralph Atkins,
Insurance Correspondent

State securities regulators in California have been warned by Lloyd's of London that that they may prevent Names in the state benefiting from an important part of its recovery plan by forbidding Lloyd's from communicating with them.

The warning comes as Lloyd's steps up efforts to persuade California's department of corporations, the state's securities regulator, to drop legal action which threatens to undermine the recovery plan. Lloyd's attempt to have the case dismissed is due to be heard by May 6.

Because of the legal action, Lloyd's is unable to tell Californian Names how much they would receive under a proposed out-of-court settlement offer, currently worth £2.5bn.

The offer would help offset the cost to Names of paying for Equitas, a new reinsurance company which will take over many outstanding liabilities at Lloyd's - allowing a line to be drawn under Names affairs at the market.

Names are individuals whose assets have traditionally supported Lloyd's.

Lloyd's has set a deadline of May 7 for overseas Names to

apply for special means-tested help if they still cannot afford to meet Equitas bills even after their allocation from the out-of-court settlement.

The Californian case is a particular headache for Lloyd's because the securities regulators want to freeze part of \$10bn held in trust to support US underwriting. If they succeeded, the security of Lloyd's policies in the US could be undermined, affecting trading in the US.

Burk Lloyd's complains that it is prevented from talking to the 500 Names in California about the benefits of a negotiated solution to the mass of litigation surrounding Lloyd's which followed losses of more than \$2bn in recent years.

Mr Peter Lane, Lloyd's North American managing director, said Californian Names stood gain considerably from the recovery plan Reconstruction and Renewal. Gross liabilities of about \$130m would be cut to less than \$50m, much of which would be covered by funds already held on Names' behalf at Lloyd's.

A spokesman for the California securities regulators said: "The department has taken the action it believes is appropriate to protect California Names."

City People, Page 30

Car prices outstrip wage inflation

By John Griffiths in London

New car price increases have outpaced wage inflation to the extent that it now requires a worker on UK average gross weekly earnings to work 7.8 per cent longer - 17.9 weeks compared with 16.5 weeks - to buy a base model Ford Fiesta, before taxes, than in 1990.

The increase drops to 1.4 per cent after VAT - but only because the Treasury has foregone the revenues from the 10 per cent car tax it scrapped in the early 1990s to help boost the new car market, and dealers have had their own profit margins slashed, according to an analysis by Sewells International, the industry consultants.

Total expansion on the Fiesta model fell 2.8 per cent over the five-year period, in spite of the increase in the standard rate of VAT from 15 per cent to 17.5 per cent in 1992.

Sewells, using data compiled for the Lex Service group's annual report on motoring, said it had analysed a model by UK market leader Ford because of Ford's sensitivity to market conditions. "Other manufacturers and importers are not so conscientious. We believe the trend would be even more pronounced if we had taken a larger sample of actual models."

Working to drive

Number of weeks' earnings to buy an entry-level Fiesta

Base price	Total taxes	Total price	Weekly wage	No. of weeks needed to buy car	Base price Total price
1990 £12,930	£1,964	£14,894	£225.40	64.8	20.7
1995 £25,038	£1,056	£27,095	£336.30	17.9	21.0

Sources: Sewells International
-2.6% -30.3% -27.3% +47.8% -1.4%

Carmakers, which claim in reply that current cars do not represent good value so are buying used cars instead.

Mr Andrew Wilkinson, editor of the motor trade's CAP vehicle prices guide, has also warned that "new car prices are growing at a rate which is outpacing consumers' ability to buy."

Motor industry academic Professor Jonathan Brown said in the Sewells report that high new car prices had little to do with dealers, now on an average 5 per cent profit margin compared with an average of between 15 and 16 per cent in the 1980s. Europe's underlying problem with high car prices, he added, was that car workers in Europe were paid more than their US counterparts but were less productive.

They simply believe that today's cars do not represent good value so are buying used cars instead.

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Lower labour costs aid investment

By Peter Marsh in London

Giddings & Lewis, the US's biggest machine tool producer, has decided on the UK rather than Germany to base European production of a new family of tool, partly because of the UK's lower labour costs.

The investment in producing the company's RAM machining centre for sales in Europe will be at Giddings' Knowsley plant on Merseyside rather than its similarly sized factory near Stuttgart.

The choice of Alvis would be regarded as an important breakthrough by the British construction industry which has become virtually non-existent in the provision of glass and metal cladding for modern buildings, a sector dominated by continental European suppliers.

The French-US company, Harmon CRM Facades, is understood to have been the closest rival to the Alvis/Seale venture for the cladding contract. Gartners, the German curtain walling company is also understood to have been interested. The total cost of the project has been estimated at £154m at 1992 prices.

Andrew Taylor, Construction Correspondent

Meat exporters win awards

Two highly successful UK companies have won coveted Queen's Awards for Exports for meat they can no longer sell abroad. Associated Beef Processors and Eurostock Meat Marketing were told of their awards just as the EU recently refused to reconsider its ban on British beef exports.

"The bittersweet irony... did not escape our export team," said Mr Richard Cracknell, ABP's chief executive. "They have spent years building up a £75m export business which was, for largely political and speculative political grounds, being destroyed in front of our eyes."

Both companies had established leading positions in some of their markets - ABP sold prime beef to Italian supermarkets while Eurostock was the French market leader for offal.

Roderick Oram, Consumer Industries Editor

Queen's Awards, Pages 7-14

BBC Arabic service halted

The BBC said yesterday that Orbit Communications had ceased broadcasting the BBC's Arabic language news and information service to its Middle East subscribers. As a result the BBC ceased production of the eight-hours-a-day channel at BBC Television Centre. More than 200 were employed on the channel including 90 Arabic-speaking journalists.

Earlier this month Orbit, a Rome-based company owned by the Mawardi Group of Saudi Arabia and the BBC, both served notice that they intended to terminate the 10-year contract on the same day.

The BBC was concerned about interruptions to the service and Orbit found some of the BBC material - such as a recent programme on the Saudi justice system - unacceptable. Negotiations on a financial settlement are continuing.

Raymond Snoddy, London

MPs urge 30% pay rise

MPs believe they could be offered a pay rise of more than 30 per cent to above £45,000 (£38,400) a year following an independent review headed by Sir Michael Perry, the chairman of Unilever, the Anglo-Dutch consumer products group.

Such an increase would be highly controversial, particularly given the current squeeze on public-sector pay, and a number of MPs would resist the move. But many believe parliamentary pay has fallen too far behind other salaries and have told the Senior Salaries Review Body that a significant increase is needed. Sir Edward Heath, the former prime minister, yesterday called for the number of MPs to be halved but for their salaries to be trebled to £100,000.

The Review Body was asked by the government to conduct an inquiry into parliamentary pay, allowances and pensions. It is due to present its findings by the end of June with proposals expected to be put to MPs the following month.

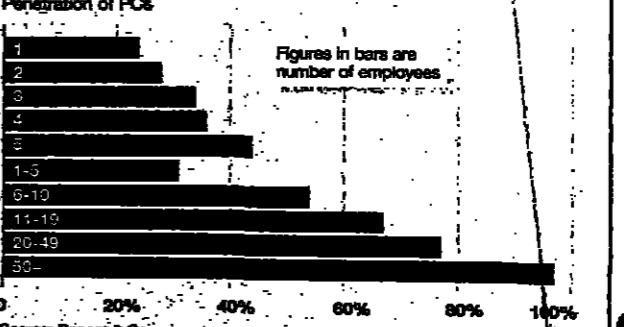
The inquiry followed a demand by more than 200 MPs of all parties for an independent review of their £34,850 salary. The review will also cover MPs' pensions, a subject of a keen interest to the large number who are standing down at the next election.

David Wighton, London

55% of businesses still PC-free

Switched on companies

Percentage of PCs



Fewer than half of Britain's businesses have installed personal computers, according to the 1996 Bawer Computer Readership Survey, although computer penetration in smaller concerns is still increasing. The survey, to measure the readership and purchasing habits of those responsible for buying computer equipment, reveals that 45 per cent of more than 890,000 businesses in the UK have PCs. Among the 35,700 large organisations - those with 50 or more employees - 97 per cent have computers. Only 41 per cent of those concerns with 49 or fewer employees have PCs, although their installation is up from 38 per cent a year earlier.

Paul Taylor, London

Amec buys rail servicing company

Amec, the engineering and construction group, has bought South West Infrastructure Maintenance Company, the tenth of British Rail's track maintenance companies to be sold.

The £11m (£16.72m) deal brings to more than £150m the total raised by the sale of BR's track maintenance companies. Three have been acquired by management buy-out teams and seven by trade buyers. South West made a pre-tax profit of £1.5m on turnover of £25m in the 10 months to last February. It has been acquired with net liabilities of £1.2m.

The company employs 2,200 people and provides maintenance, engineering and construction services in a triangle bounded by London, Hastings and Exeter. It includes many busy commuter routes into London's Victoria and Waterloo stations.

Charles Batchelor, Transport Correspondent

Government pressed on EU links

Sir James Goldsmith, the anti-European Anglo-French financier, yesterday issued a stark warning to senior members of the governing Conservative party that he would not drop his plan to field up to 60 Referendum party candidates at the next general election. In an uncompromising attack, Sir James accused the Conservatives of "appeasement" over Europe, and claimed that Mr Malcolm Rifkind, the foreign secretary, was in favour of a United States of Europe.

His words will dismay Mr John Major, the prime minister, who arrived home from the G7 Moscow nuclear summit hoping to promote the "benevolent economic situation" in the run-up to next month's local elections. Yesterday Mr Goldsmith confirmed that he was likely to stand as a candidate in Putney, south-west London, the parliamentary seat of Mr David Mellor, the pro-European Tory MP and former cabinet minister.

Financial Times Reporter

WINNING



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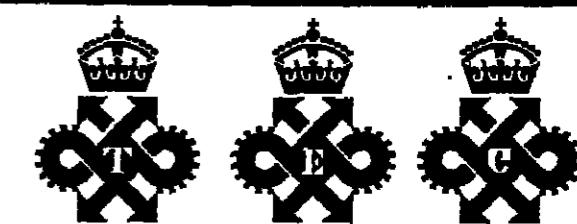
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The Queen's Awards

FOR EXPORT, TECHNOLOGY and THE ENVIRONMENT 1996



Good reasons for celebration

Export success is one of the more optimistic sides to the UK's recent economic performance, says Michael Cassell

In the export game, anything goes. It might be shipping live baby eels to China or selling trendy baby clothes to Russia but the search by British companies of all types for new world markets has never been more necessary or more competitive.

Today, some of the companies which in the last year have succeeded in making overseas sales a strategic priority are rewarded with the granting of a Queen's Award for Export Achievement. They are joined by a small number of businesses winning accolades for technological or environmental achievement.

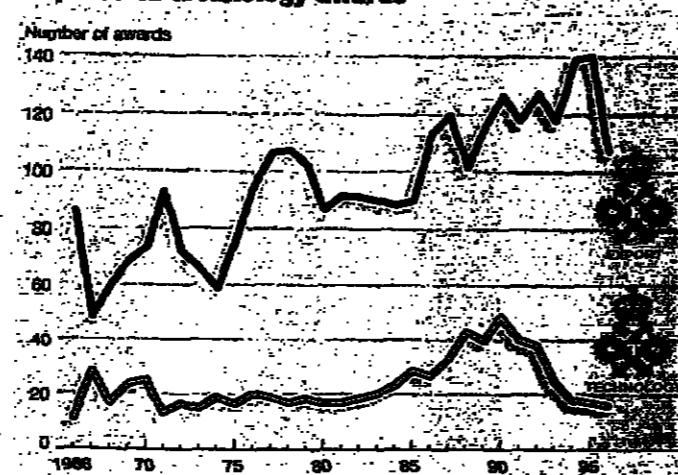
But exporters dominate the 1996 roll call. They inevitably include some of the country's most experienced exporters, used to selling products and services traditionally at the core of Britain's overseas sales effort.

But alongside the engineering companies, the steel products specialists and construction equipment manufacturers is a newly-emerging breed of exporters modest in scale but with global ambitions.

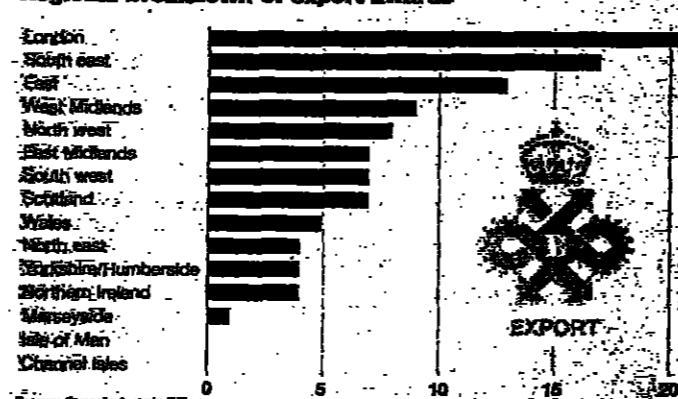
There are companies selling cat flaps, ceramic capacitors, body armour and bakery products. Included among them are businesses such as Biotrace, the Bridgeman-based biotechnology company which epitomises the new generation of young, fast-evolving businesses exploiting highly specialist skills in world markets.

Biotrace, founded in 1988 and floated on the London Stock

Export and technology awards



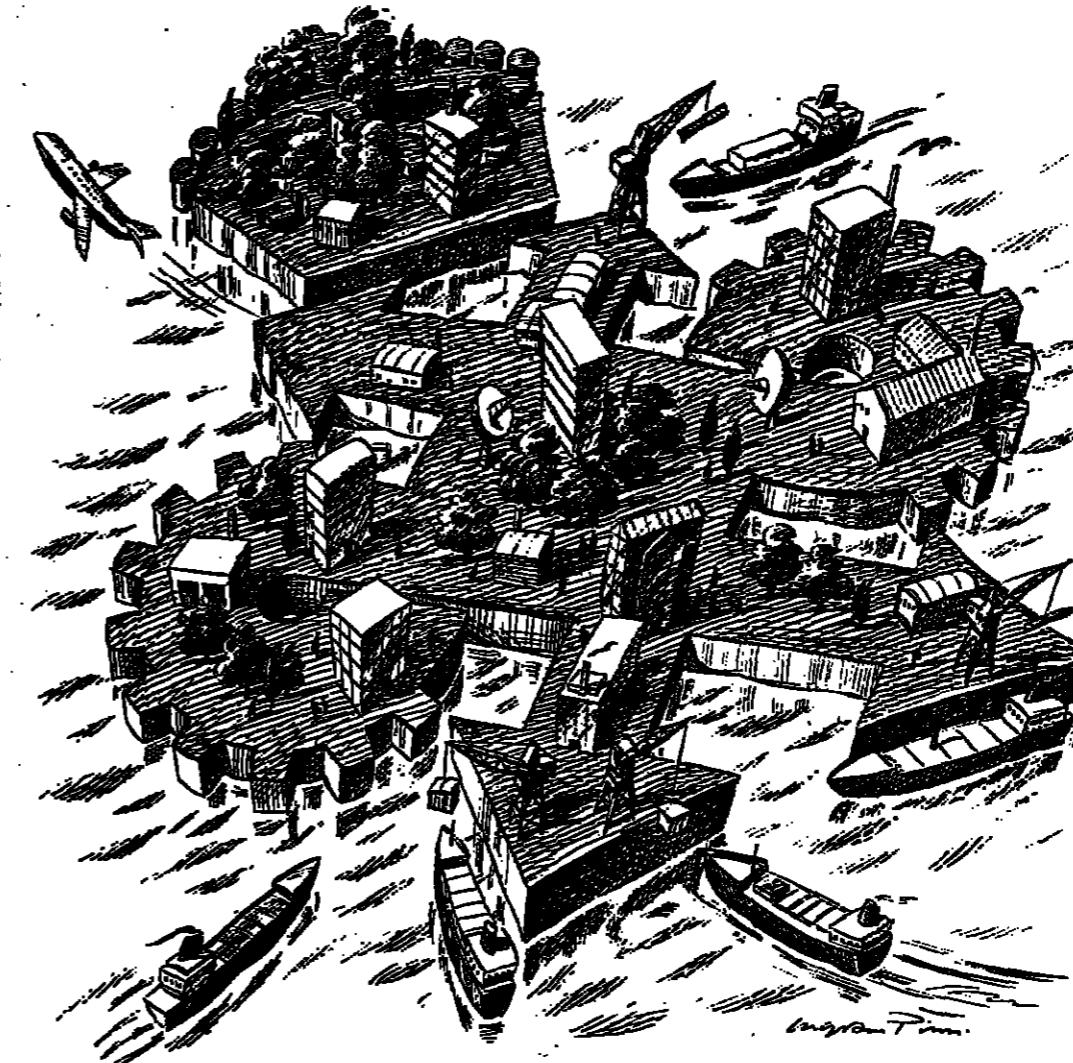
Regional breakdown of export awards



Exchange five years later, harnessed the enzyme which causes fireflies to glow in order to produce portable food and drink hygiene testing systems. The company only employs 80 people but is selling throughout Europe, the Baltic States, Russia and North America.

Along with the other award winners, the company is judged to have made an outstanding contribution to the "export-led recovery" much trumpeted by the present government.

The World Trade Organisation



forecasts another year of robust trade growth in 1996, although the outlook is less certain within the markets of the European Union, the most important destination for UK exports.

In recent weeks, fresh evidence has emerged of an economic slowdown in Europe, with trade between the UK and the continent falling steadily.

Stagnant economic growth in the UK has helped stem the flow of imports from other EU countries. Even so, the overall UK trade deficit remains stubbornly in place; the deficit on UK visible trade in January alone was an estimated £1.4bn.

Only the efforts of individual companies can combine to over-

come such traditional economic weaknesses. Given their daily struggle to win customers, many of them might feel fully justified in regarding award schemes as a largely irrelevant diversion. Even so, 41,000 enterprises have put their names forward since 1966 and nearly 3,800 have won.

For them, the right to use the widely-recognised Queen's Award logo - not forgetting the accompanying invitation to a reception at Buckingham Palace - is one they consider well worth pursuing.

Peter Wood, a director of Glass Eels, the Gloucester business selling millions of baby eels to destinations which include China and one

of this year's smallest export award winning companies, echoes the views of many of this year's 1,200 entrants: "It helps our employees recognise that we are being successful and I think it will also help to impress our customers."

This year, 107 export award winners - the lowest total since 1988 - will be able to put the theory to the test. Those companies which have won in the past - this year's export list includes 19 previous winners - admit that it is impossible to quantify the commercial benefit of picking up an award and there is always the potential for disappointment if one year's success is not repeated.

One inevitable spin-off from the steady rise in inward investment in

the manufacturing sector is the growth in foreign-owned companies now exporting out of the UK. This year, 24 of the export awards go to companies with overseas parents, ranging from two communication systems subsidiaries of Motorola of the US to New Holland UK, the tractor manufacturer owned by Fiat of Italy.

Not all the overseas-owned manufacturers using the UK as a manufacturing base to supply other markets have such extensive operations.

An example is Pamaco Europe, a Cheshire-based business acquired in 1992 by US interests and which has won an export award at its first attempt.

The company, which employs the latest high-technology to engrave printing rollers and plates for use in the print industries, employs only 31 people and has an annual turnover of £2m. Terry Ford, vice-president, operations, Europe, says exports have almost trebled in the past three years, leaving half the company's sales accounted for by overseas orders.

Exports are not confined to manufacturers. Invisible earnings, a critical element in the UK's world trading performance, worth about £20bn a year, are also recognised in this year's awards. Among the winners is Healey & Baker, the London-based property consultancy and the first business of its type to win an export award. The partnership's export earnings have more than doubled in the past three years.

Other award-winning contributor's to UK invisible earnings include Bartle Bogle Hegarty, the advertising agency with main markets in Europe and North America, and Halcrow Holdings, the London-based engineering, planning and environmental consultants.

The technological achievement awards also reflect the ingenuity of the UK's healthcare industry, embracing research and development and the commercial exploitation of new products and processes. Half the 16 awards made this year in this category are healthcare-related.

Environmental achievement awards go to six companies, including Brook Hansen, the Yorkshire-based manufacturer of high-efficiency electric motors and Hoover of south Wales, for its environmentally advanced range of washing machines.

Continued on page 2

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THE QUEEN'S AWARDS FOR INDUSTRY 1996

Brendan O'Neill, managing director of Guinness Brewing Worldwide which wins an award for export achievement (see article on page 5) Page 5

More help needed

Continued from page 1
For ministers at the Department of Trade and Industry, the exporting efforts of British companies make welcome news. But the DTI, charged with working with the Foreign and Commonwealth Office to help the UK's exporting, is far from satisfied.

Included in last year's com-

petitiveness white paper "Forging Ahead", the government pledged itself to helping at least 30,000 new companies to start exporting by the year 2000. At present, about 100,000 UK companies are actively engaged in selling products and services overseas.

As part of its programme, ministers are also committed

to raising the level of professionalism of civil servants engaged on trade promotion by increasing secondments between the public and private sectors and extending training.

The appointment of export promoters brought into the DTI from the private sector, to help spearhead export drives in target markets, has been well received, although the impact of their activities is only just beginning to work through and is hard to evaluate.

In the financial year just started, the DTI plans to spend £24m on export promotion, nearly £10m more than in the previous 12 months. Ministers claim it will never have been easier for potential exporters to find a helping hand as they take their first, tentative steps into overseas markets. Decent rewards, not to mention Queen's Awards, may await those prepared to have a go.

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■ Food products by Roderick Oram

Deals on live eels

This year's winners include a company that exports elvers to markets in the Far East

High tech cheese and garlic bread for the continent and elvers for Asia are just three of the food products which award-winning UK companies send abroad.

Glass Eels of Gloucester, named after the transparent baby eels, has a guaranteed market in one respect: eels do not breed in captivity. They spawn only in the Sargasso Sea in the South Atlantic. As the larvae drift across the Atlantic the develop into elvers seeking out Europe's rivers.

Elvers, on the Severn and other British rivers net elvers and sell them to Glass Eels for anywhere from under £2 to more than £100 a kilo depending on the supply and demand during the elver season of February to May.

The elvers are "rested" for a few days before starting a wildly different journey by air at the whim of man. Six hours before flight time, they're packed in small polystyrene containers in ice cold water that makes them drowsy. They are driven to the airport and airfreighted to the four corners of the world.

Asia is a popular market. The elvers are farmed there, developing into the tasty, expensive delicacy prized in Japan and other countries. Glass Eels also helps foreign customers develop their eel farming skills.

But European markets such as Italy, Greece and Sweden also show strong demand for eels for farming and re-stocking rivers, says Sarah Officer, of Glass Eels.

While the success of Glass Eels set up in 1980 by Peter Wood, a local businessman,

hangs on the mysteries of nature, the success of Dairy Produce Packers is rooted more firmly in high technology.

The Coleraine, Northern Ireland company uses high science to tailor its processed cheeses to its customers' needs. Melting points are critical, for example, to fast food chains, makers of microwave meals and other users of the company's cheese.

"We have a big market share in these areas," says Garnett

The tasty, expensive delicacy is prized in Japan and other countries

Faulkner, commercial director, its use of technology to achieve different "melt characteristics" is one of the company's selling points. "Close working relationships with our clients has, I believe, been the key to our success."

The company is the largest maker of processed cheese in the UK and its parent, Golden Vale Group of Ireland, is the fourth largest in Europe.

Dairy Produce, which exports about 45 per cent of its output, began exporting in the mid-1980s and has sales offices in the Netherlands, Spain, Denmark and France.

It is now looking beyond Europe to Japan, elsewhere on the Pacific Rim, the Middle East and Africa. The company is investing £7m this year on a new plant in Coleraine just for catering production lines.

Garlic bread sold on the continent is one of the products of Speedibake, the Northampton subsidiary of Associated British Foods. It has bakeries in

Northampton, Wakefield and Bradford and employs 460 people. Founded in 1984, its annual sales are about £100m at retail prices.

"Export sales have grown dramatically over the past three years and account for 10 per cent of total sales," says Robert Vance, sales and marketing director. It sells to eight European countries.

Among other food awards, Westabix of Kettering has won its third this year to add to those of 1974 and 1991.

The company, established in 1982, exports its distinctive range of breakfast cereals to the continent, Far and Middle East, the Caribbean, South America and Africa.

EHI Foods of Alvingdon, has won an award for its exports of food stabilisers and ingredients for the dairy, meat and poultry businesses. Export markets include the European Union, Far and Middle East and several new ones, such as South Africa and India.

Founded in 1984, it is minority owned by Anthony Taylor and Edward Fox, two of its executives, and majority owned by Elgin Blenders of the US, a subsidiary of Dean Foods, according to a Dun and Bradstreet report.

The company has just under 30 employees.

■ PROFILE Oxford Metrics: motion capture and analysis system

Technology in motion

A system tracking human movement has proved a winner in global markets, says John Simkins

The movements of figures in sporting video games, such as golf or football, are becoming increasingly realistic and three-dimensional. This is partly thanks to the Vicon motion capture and analysis system developed by Oxford Metrics.

The Oxford-based company, a Queen's award winner this year, exports 90 per cent of its turnover. Its biggest markets are the US and Japan.

Although the newest application of Vicon is in animation for films, special effects, television commercials and video games – with Jim Henson's Creature Shop among the users – the main outlet for the system is the medical market.

The system enables surgeons to treat children with walking disorders caused by cerebral palsy, and is used to assess other disabilities affecting mobility

including limb amputation, Parkinson's disease, hemiplegia and spinal injuries.

The main Vicon range, costing from £70,000 upwards, is exported to more than 20 countries and is installed in many US children's hospitals. The Nuffield Orthopaedic NHS Trust in Oxford is among the British users.

Oxford Metrics was set up in 1984 by Dr Julian Morris, its managing and technical director, as a management buy-out from Oxford Instruments. The company has worldwide annual sales of about £2m, a 20-strong workforce at Oxford, Baton Rouge, Louisiana, and a distributor in Los Angeles.

Dr Morris's interest in motion capture dates back to the 1970s when he was a researcher in orthopaedic engineering at Oxford University.

Motion analysis techniques then involved the laborious frame-by-frame measurement of cine film.

The Vicon system, which he first commercialised at Oxford Instruments, tracks the motion of reflective markers attached to various

parts of the body, or other moving subjects.

Tracking is achieved through synchronised, high-resolution video cameras producing images which are transmitted to a computer. The computer software combines the camera images to determine the three-dimensional location of each marker in each video frame, allowing movement of the limbs to be measured and analysed.

The result, when applied to video games such as a recently released Diehard action adventure, means that actors supply the movements used as the basis of animation.

Pete Meddings, Oxford Metrics' sales and marketing manager, says that the shift to motion capture, as opposed to traditional computer-aided animation "is quite dramatic in video games. It is a young and vibrant industry and motion capture enables it rapidly to produce realistic animation."

He forecasts that the company's recently formed entertainment division will make as big a contribution to profits as the medical business within two years.



The system helps treat children with walking disorders

■ PROFILE Reilor: cat-flap makers

Accolade for pet favourite

When Reilor decided to manufacture cat-flaps in the 1980s it realised it could not use stainless steel, from which it made door furniture. The sharp edges would risk turning all feline users into faint cats.

"This was not the way to look after cats," says Brian Kerr, managing director of Reilor of Preston, in Lancashire. So the company, set up in 1987, switched to plastics and holds 85 per cent of the UK cat-flap market. Although Reilor still makes door furniture, its Staywell cat-flap, simple device fitted to a hole cut in a door, accounts for the bulk of annual sales of nearly £25m.

Reilor estimates that, despite Britons' love of cats, only a fifth of owners have a cat-flap. Much of its business comes from repeat orders when owners and their cats move house, so sales are affected by the state of the housing market.

Mr Kerr, who joined Reilor three years ago from Berger Paint, says that during the recession the company had to find a way to expand. "We decided to export ourselves out of recession," he says. Over those three years Reilor has increased its exports by 50 per cent to a total of £2.5m in 1994-95, securing a Queen's Award for export.

The company employs between 65 and 75 people, depending on the season. "In mid-winter no one wants to cut a hole in a door, while in spring and autumn people

are into DIY," says Mr Kerr. The most up-to-date cat-flaps can be programmed to admit only the owner's cat with its personalised microchip collar.

Although cats are not pampered everywhere overseas – and even end up in the cooking pot in some countries – Reilor has not met consumer resistance abroad. Temperate zones offer the best opportunities – in hot countries doors are kept open. Western Europe, with only one rival manufacturer, is Reilor's best market, with Dutch, French and German customers to the fore. The company employs export staff with language skills who ensure that the product, and packaging, is acceptable to each market.

Reilor does little business in Asia but is hoping for growth in eastern Europe after a successful launch in Russia. It turned down a huge order from Nigeria for fear it would not get paid, but sales are good in Japan, where cats are forbidden to roam and cat-flaps allow the animal access to an enclosed space such as a patio.

Mr Kerr says the company has barely scratched the surface in the US market, where it has a subsidiary and where its founders, Reid and Taylor (hence Reilor) originally came across the cat-flap.

John Simkins

St Michael

MARKS



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We wish to thank our customers worldwide for their part in our success. We look forward to a continuing partnership.



THE QUEEN'S AWARDS FOR INDUSTRY 1996

■ Healthcare products: by Motoko Rich

Small turns out to be profitable

This year's winners demonstrate that exports can be achieved without huge budgets

A large staff, multinational brand and big budget are not necessary to excel in export market - a fact well-proven by the healthcare winners of the Queen's Award for Export this year.

Included in the list of winners is a family-owned and run maker of communications equipment with 20 staff and annual sales of £2m; a small, Blackpool-based aerosol toiletries manufacturer; and a pharmaceutical transport carton maker which is just moving out of its 15,000 square foot office.

By Churchill, the Cambridge-based manufacturer of communication aids for people with speech disabilities, drives 50 per cent of its annual turnover from exports. Its largest market is the US, followed by Europe - with a large market in Scandinavia, Australia and New Zealand.

Toby Churchill, managing director, invented the first "Lightwriter" - a dual-screened electronic device what in decline."

which also has speech synthesis capability - and began selling them in 1973.

Mr Churchill, who was paralysed after contracting a virus and is unable to use his voice, continues to oversee the R&D team, while his wife, Sheila, manages the administration of the business. His younger brother, Simon, is marketing director.

The company sells direct to hospitals and private individuals in the UK, and uses distributors abroad. Its distributor in the US, Zogo, an Oregon-based communications equipment maker, is the former employer of Sheila, who met Toby via fax.

The group is now investing in another factory unit in Cambridge. Another rapidly expanding export award winner is Statestrong, an aerosol toiletries maker, which has recently doubled its manufacturing capability to meet demand, largely from exports.

"We have targeted exports as being the way forward for the company," says Stephen Baptist, Statestrong's chairman and managing director. "It was the only growth that I could foresee 12 years ago when we took over the business because the UK market has been something in decline."

Statestrong, which was founded about 50 years ago by the Slater family, was a UK pioneer in aerosol products. Today about 80 per cent of its sales - expected to be about £25m in the year to June 30 - are derived from exports. Its main markets are eastern Soviet Union, and now, Asia. The

company has received its first orders from Thailand and China. "That is where we see the company's future growth," says Mr Baptist.

The group has not always enjoyed such success. It ran into troubles in the early 1980s, shortly after Mr Baptist joined the group as a line manager, and was put into receivership by its banks in 1983.

A group of four businessmen

restructured the business, and changed its name from Blackpool Aerosols to Statestrong. "We provide the system

shortly after the group's re-structure, Mr Baptist decided to buy shares - he now owns about 12 per cent of the total - and subsequently he ascended the company ladder, reaching the managing director's office seven years ago.

Mr Baptist said the group was now setting its sights on South America, where it hopes to begin selling within the next 12 months.

Laminar Medica, which makes shipping systems for the transport of temperature-sensitive pharmaceutical products, is considering the expansion of its product offer rather than its geographical spread. "Our shareholders want us to invest in expanding the things that we do and the range of what we can offer," says Quentin Shrimpton, operations director at Laminar.

The company is considering offering its product to the food industry, which it believes is not well-served for international transport.

The company, which makes cardboard and polystyrene carrying cases, has helped international pharmaceutical groups transport drugs, vaccines and other products which need exact temperatures to travel.

"We provide the system whereby they can ship with relative impunity," says Mr Shrimpton. "We help them make sure their products get to the end patient in a viable form."

Without such systems, some groups have been forced to rent out entire refrigerated trucks just to carry a few vials of a vaccine. Laminar's system is tailored to the needs of the product and therefore can be made small enough to be shipped by air.

Exports, which have grown by 50 per cent since 1988, have helped the company to fund the expansion of its facilities from 15,000 to 30,000 sq ft.

Although Biotrace, whose testing systems are used by food and drink manufacturers to check the cleanliness of their production lines, fell deeper into the red last year as a result of expansion into export markets, it calls a "taste explosion" in its new chief executive, Jim Keir, will help the group exploit this investment.

The group, which derives 55 per cent of its sales from exports, says export markets are the most exciting.

"Overseas markets are much larger and there is much more to go for," says Ian Johnson, marketing and development director.

Guinness Brewing Worldwide wins its first Queen's export award. Guinness claims it is the world's most widely-distributed beer. It is exported to the US, the Far East (especially Hong Kong, Australia and New Zealand) and Europe, notably Italy and Germany.

Guinness also supplies the essential ingredients of its stout to 47 countries, enabling local breweries to produce it locally. Its biggest markets include Nigeria, Kenya, Jamaica, Malaysia, Singapore, Ghana and Seychelles.

Guinness believes its stout is complementary to blond beers. This has enabled it to set up joint sales and brewing arrangements which do not threaten the blond beers of its trading partners.

Stout from a tap or pump is not the only export product of Guinness Brewing Worldwide.

Guinness claims it is the world's most widely distributed beer

in 1989 the company launched Draught Guinness in a can, to enable consumers to enjoy the taste and qualities of draught Guinness at home, and followed it in 1992 with Guinness draught bitter in cans. As part of the company's export promotion it exports more than 800 "Irish" pubs worldwide.

Guinness says it is the world's seventh largest brewer in terms of pre-tax profits - £277m in 1995 - and the ninth largest by output volume.

Bass Ale is brewed at the Cape Hill brewery in the heart of Birmingham. The company also exports Tennent's Lager brewed in Glasgow - a genuine Scottish lager heritage," Bass says. Following the group's purchase in 1993 of a stake in a brewery in Prague, the group added Staropramen, a Czech lager, to its portfolio, selling it in the US, Italy and Spain, as well as the UK.

Guinness stout, exported to 150 countries, has helped Guin-

ness raw hops, and also provide hop pellets and extract, thanks to its technical know-how and its R&D efforts. A big share of its exports go to Europe, the US, Australia and India, and it has recently opened a sales office in Moscow.

British Diamalt is in a similar position. The company, which is part of US-owned International Diamalt, produces liquid and dried malt extracts for the food and drink industries, including brewing. Based at Newark on Trent, Nottinghamshire, its main export markets are North America, West Africa, the Middle East and the Far East.

The exports have doubled in the period of the award application, with important growth in Russia, other CIS states, South America and Australia.

William Grant & Sons is notable for being a family-owned business one of the largest of its kind in the UK that has preserved its independence since it was founded in 1837.

Although many people associate William Grant with its Glenfiddich single malt whisky, the export performance which led to the award was related to its blended whisky brand, Grant's. Grant's is the fifth biggest selling whisky brand in the world, and the fastest growing large Scotch whisky brand.

Its export sales are heavily focused on Europe, which accounts for 50 per cent of its business, where France is an important market. The US and South America are the next largest export markets.

Export sales account for more than 70 per cent of William Grant & Sons' total sales (its annual turnover is a little under £250m). Exports grew by £30m in the three years to 1995.

A fellow award-winning Scotch whisky company is Morrison Bowmore Distillers, a Glasgow-based distiller. Its portfolio includes the Bowmore Islay single malt, made on the island of Islay, and the Auchentoshan Lowland malt, distilled at Dalmuir near Glasgow. Morrison Bowmore belongs to Japanese drinks company Suntory. Its exports have doubled in the period of award application and make up two-thirds of production.

PROFILE Chadwick Healey: information specialists

Cambridge firm spreads the words

It's not quite selling soals to Newcastle, but selling Goethe to Germany is one of the reasons why Cambridge-based information specialists Chadwick Healey has won its second award for export achievement.

The company produces academic and research data on CD-Rom, microfiche, microfilm and in book form. Its main export markets are Europe, the US, the Far East and Australia.

Chadwick Healey was set up in 1973 by its chairman, Sir Charles Chadwick Healey, and has sister companies in Paris, Madrid and Alexandria,

Virginia. It went electronic at the end of the 1980s and that medium now represents about 50 per cent of its business. Next month the company plans to launch its services on the Internet.

It has built a reputation within the industry by tackling huge, high-profile collecting and publishing projects. In 1991, the company released the English Poetry Full-Text Database, a collection of four CD-Roms covering every published English poet from Saxon times to 1900.

The company says its "substantial" sales in 19

countries have "made an important contribution to the company's export success".

Other large literary full-text databases which have sold well overseas include English Verse Drama, which contains over 1,800 works by more than 500 authors; 21 versions of *The Bible in English*; and *Editions and Adaptations of Shakespeare*.

Last year the company published its first database specifically for the German market - filling a gap in the market there - when it produced *Goethe's Works auf CD-Rom*, an electronic version of Goethe's works, including

the footnotes, in the definitive Weimar edition.

Chadwick Healey's international partners include the United Nations, the EC's Office for Official Publications, the National Security Archive in Washington DC and the Russian State Archival Service.

After the removal of the ban on the Russian Communist Party in 1991, Chadwick Healey clinched a deal for exclusive rights to market archives of the Communist party of the former Soviet Union in the west, and in partnership with

the Hoover Institution, began to transfer the huge archive of the former Soviet Communist party and state to microfilm.

When the company won its first export award in 1987 it employed 24 people and had export sales of £970,000. By June 1995, export sales had grown to over 27.5m and staff numbers had risen to 102. The company now employs 150. Since 1993, its export sales have risen by 135 per cent.

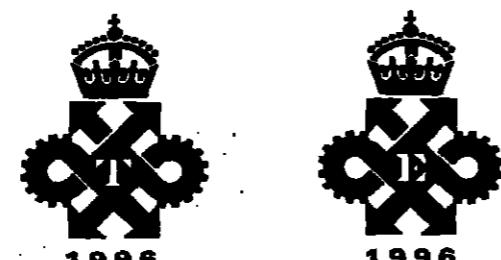
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THE QUEEN'S AWARDS FOR INDUSTRY 1996

Specialist vehicles: by John Griffiths

The engines of growth

Winners range from construction equipment makers to racing car manufacturers

JCB Group has come a long way since its founder, Joe Bamford, first started the Staffordshire-based construction and agriculture machinery business soon after the second world war. Now its equipment is found all over the world - reflected in the 11 Queen's Awards for exports it has won since the scheme was founded in the 1960s.

This year sees the group's third "double" - two export awards received by JCB subsidiaries in a single year. One goes to JCB Materials Handling, which produces telescopic handlers at Rochester in Staffordshire.

Founded in 1978, the company has a turnover of nearly £95m and its "Loadall" machine is claimed to be the world leader. Exports have risen from £20.4m in 1993 to £51.8m last year.

Recently the company invested £4.5m in the Rochester facilities to install new plant and equipment to enhance build quality - a move substantially increasing confidence among the company's 150-strong work force.

"When the company was founded JCB had to pioneer and develop this revolutionary materials handling machine; now we're number one in the world," says David Bell, managing director. This year's award is the second for the company, the first having been won in 1984.

The other award-winning subsidiary is JCB Special Prod-

ucts, which makes compact equipment including backhoe loaders, rough terrain fork lift trucks and wheeled loaders at a purpose-built £10m factory in nearby Cheshire. Stoke-on-Trent, completed only last year. Founded in 1985, the company has seen its export earnings rise from £17.5m to £49.7m over the past three years, compared with a total turnover last year of £25m.

The company employs more than 200, with principal exports in Europe and North America and "significant growth" projected for the Asia-Pacific region by its managing director, Jim Edwards.

Awards have gone to other engineering-based companies in closely-related sectors.

Terex Equipment, based at Motherwell, Lanarkshire, is a US-owned producer of off-road dump trucks and scrapers for use in construction, quarrying and similar activities which exports to some 50 countries.

It, too, is focusing heavily on the growth markets of Asia and the Pacific rim and is currently discussing a collaboration agreement with a so-far unnamed Japanese partner to pursue opportunities in the Japanese market, the world's fifth largest for such equipment.

Further south, at Stretford, near Manchester, Farnec Holdings is celebrating its second export award within six years for the backhoes, mini excavators and industrial tractor loaders which find their way to 70 markets. The company was formed in 1982 from a management buyout of the MF Industrial business, then part of the Massey Ferguson group, part of Varsity Corporation of the US. Its exports have almost doubled over the past three

years, partly as the result of the introduction of mini excavators to the product line last year.

New Holland UK, the tractor manufacturer, also the recipient of an exports award, began life nearly 70 years ago as the tractor division of Ford Motor Company. A landmark in its history came in 1991, however, when Ford sold it to Fiat to create the New Holland group.

For the Basildon, Essex-based company this is the second specialist motor racing concern to receive an exports award.

Reynard was one of the first specialist motor racing concerns to receive an exports award

est name.

Three-quarters of its output is sold overseas, through a network of dealerships and importers in some 120 markets worldwide.

Last year it was 27th in the *Financial Times*' top 100 list of exporters. Its exports are concentrated on tractors in the medium to high horsepower range, with the balance made up of diesel engines, agricultural equipment and components.

It is looking at ways in which the rapid-response technology and design and development skills of companies such as Reynard may be transferred to other sectors of the industry, having realised that motor racing in the UK employs some 50,000 people and collectively generates a turnover in excess of £1bn a year.

dredged purpose-built single-seater racing cars a year, most of which are exported.

In recent years Reynard has dominated categories such as IndyCar racing - North America's equivalent of grand prix - as well as European and Japanese Formula 3000 racing.

Founded by chairman Adrian Reynard and his long-time friend and colleague, managing director Rick Gorrie, Reynard was one of the first specialist motor racing concerns to receive an exports award.

Nevertheless, the government has been relatively slow to recognise the achievements of the UK motor sport industry, not least in IndyCar racing where Reynard, March, Lola - also a previous export awards winner - and UK-based Penske between them have accounted for virtually every car on the grid for more than a decade and for every Indianapolis 500 winner since 1978.

Ministers are now trying hard to make amends. Earlier this year, during a visit to the McLaren grand prix organisation, industry minister Tim Eggar said the Department of Trade and Industry would mount an "urgent" initiative to spread "the strengths of quality and innovation" shown by the UK's racing car industry into the country's mainstream volume car and components industries.

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Textiles: by Jenny Luesby

Designs on global markets

Being British is not enough. New ideas are also needed to catch the eye of foreign buyers

Creativity must be an element in the success of almost every company, but in textiles it is close to being the whole story, according to this year's export award winners.

In overseas markets, the "British look" still possesses an enormous cachet. But, increasingly, this look needs to be combined with innovative designs in order to produce sharp export growth, the winners say.

This is the case even for the oldest and most prestigious of British fashion names such as Burberry.

Burberry, winning its sixth Queen's award this year, has now clocked up more than any other British clothing company.

It describes itself as the "quintessential British brand", and few would disagree. But despite the Burberry appearing in the Oxford English Dictionary as a raincoat, rainwear accounts for just 10 per cent of the company's sales.

It has been by expanding into other clothing, leather goods, scarves, perfumes, watches, glasses, jewellery and even food and whisky that Burberry has lifted its export sales by £30m in the three years considered for this year's awards.

Similarly, it is through diversification that Mulberry has achieved success in overseas markets and won its third award.

The author of six design books, Ms Guild leads a team of designers in creating every aspect of furnishing fabrics to China.

Mulberry appears to have bucked every trend visible with its relatively young home furnishings division.

The division was launched at the height of the recession and during a hiatus in the fashion industry, says its chairman and designer, Roger Saul.

"It was the time of Grunge, and deep uncertainty about where the fashion market was going," he says.

However, throughout the 1980s, people had been asking where they could buy the chairs and wallpaper used in Mulberry shops. The depth of the recession made it easier for the company to diversify into both.

"Mills, weavers and printers were all crying out for work and willing to be much more flexible than normal," says Mr Saul.

As a result, Mulberry launched its first home furnishings collection in just nine months, "from scratch", according to Mr Saul.

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As a result, Mulberry launched its first home furnishings collection in just nine months, "from scratch", according to Mr Saul.

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Similarly, it is through diversification that Mulberry has achieved success in overseas markets and won its third award.

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THE QUEEN'S AWARDS FOR INDUSTRY 1996

Awards for technological achievement by Andrew Baxter

Healthy, ingenious – and British

As many as half of the winners this year are healthcare-related companies

The ingenuity of the UK's healthcare industry – in both research and development and commercial exploitation of new products and processes – is reflected in the 1996 awards for technological achievement.

Eight of the 16 awards this year are healthcare-related. The others range from a system to reduce aircraft cabin noise to a new method of panel printing for clothing.

Overall, the number of winners this year was down one from last year's 17, while the number of applications for awards rose by one to 254.

The winners in the healthcare sector range from diagnostics to drugs, radiotherapy and medical products, and from household name companies to corporate minnows. They include one of the two pairs of joint winners this year, Affinity Chromatography and Cambridge University's Institute of Biotechnology.

In diagnostics, the Witney-based Oxford Magnet Technology gets an award for developing a C-shaped magnet design

for magnetic resonance imaging. Using a combination of resistive magnet and "iron yoke" technology, the design allows access to the patient during the examination, which is not normally possible with non-superconducting systems. The new approach provides an efficient low-cost alternative to a superconducting magnet, around which most MRI systems are built.

Philips Medical Systems, based at Crawley in West Sussex, gains its award for developing a multileaf "collimator"

for medical radiotherapy treatment. This comprises a set of 80 parallel leaves that are fitted as an integral part of a linear accelerator, replacing the beam blocks previously used to shield healthy tissue from the rectangular beam. The leaves can be moved individually using computer-controlled motors.

The drugs that have won awards are Metastron and Imigran, developed respectively by Amersham Healthcare, a unit of Buckinghamshire-based Amersham International, and

Glanz Research and Development. Metastron is a solution of Strontium-89 chloride used to ward off the pain from the secondary bone cancers (metastases) that can afflict sufferers of prostate and other cancers. A single injection of the solution provides pain relief for up to four to six months for the majority of patients treated.

Glanz's Imigran, meanwhile, is for the treatment of migraine and cluster headache. According to Glanz, clinical trials have shown that the drug

produces a more rapid and higher level of response than was achieved by previous treatments for migraine, and that any side-effects are mild and transient. Imigran can be taken orally or by injection and an auto-injector has been developed to enable a patient to take prompt action during an attack.

In medical products, a third technology award in 20 years has gone to the products division of Basingstoke-based Chas A. Blatchford and Sons, a world leader in the supply of lower artificial limbs. The award is for its Endolite Intelligent Prosthetic Plus system (IP+), which uses a microprocessor controller in the artificial limb to allow the transfemoral (above knee) amputee to experience natural walking over a wide range of speeds.

"For the first time, it allows a rapid programming of the prosthesis," says Saeed Zabedi, Blatchford's senior research engineer. After programming, the IP+ automatically provides five valve settings to cover the individual's range of walking speeds.

Smith & Nephew's group research centre, meanwhile, gains its award for developing an adhesive thin film to cover small wounds, particularly those associated with intravas-



Satisfied customer: Amersham's Metastron has helped Scottish farmer Dick Webster get back to work. John Cope

propylene suitable as a membrane in the first place.

Elsewhere, the second joint award this year goes to Marks & Spencer and Wakefield-based Waco Screen for developing the Distron process, a "dry" discharge method of garment panel printing.

The process uses an ink that contains a chemical that bleaches out the ground colour to give a design, with very low reject rates compared with conventional discharge processes.

The five award winners were: Bede Scientific Instruments, of Bowburn, Co Durham, for an X-ray characterisation system used for the development and quality control of advanced semiconductor devices; Hampshire-based Digi-Media Vision (an export award

winner too) for developing a system of compressing TV signals so that multiple programmes may be conveyed along a single channel; satellite or cable; Rover Group's electronics and control systems business for developing a modular range of electronic control units for the integrated control of engine fuelling, ignition and idle speed; the noise and vibration systems division of Greenford-based Ultra Electronics for its "anti-noise" system to reduce cabin noise in turboprop aircraft; and Poole-based Westwind Air Bearings for its aerodynamic spindles used in the rotary scanning industry. Applications range from mirror spinning to drum scanning, and from laser plotting to colour image setting.

PROFILE

Cambridge University's Institute of Biotechnology and Affinity Chromatography: protein separation technology

Leading from behind the scenes

Biotechnology is often thought of as a glamorous sector, but behind the scenes a great deal of painstaking work has been going on for decades in some of the enabling technologies helping to bring new treatments to the market at a realistic price.

One neglected area is separation technology. At least half the manufacturing cost of the protein pharmaceuticals emerging from recombinant processes is incurred at the separation and purification stage, compared to less than 5 per cent for conventional drugs.

Cambridge University's Institute of Biotechnology and Isle of Man-based Affinity Chromatography have jointly

won technology awards for developing an innovative means of separating protein pharmaceuticals that replaces several stages of previous separation methods, cutting costs sharply.

Interest is growing rapidly in pharmaceutical proteins and market projections suggest their share of the total pharmaceutical market could rise sharply over the next decade. More than 50 have been approved and are awaiting approval, and at least 500 are in various stages of clinical trial. Worldwide sales figures of £20m or more are projected for early in the 21st century.

The problem is that recombinant technology produces a dilute and heavily contaminated stream from which the

required protein has to be extracted. "Your crude extract may contain 500 or 600 proteins," says Dr Chris Lowe, director of the institute. To reach the required level of purity, and leave behind material that could harm the patient, a number of fractionations are necessary to search for the required protein by size or shape, by its charge (positive or negative) or by other differentiators. But, says Dr Lowe, "with each step, you lose yield."

What is needed, he says, is a process that can quickly "target and fish out" the right protein, providing optimum yield and purity at the lowest cost. This is where affinity chromatography technology comes in: it simulates a feature of nature in which each individual protein

is recognised by at least one other protein in an extremely precise measure.

An affinity separation system can thus be created if one element of a protein-protein pair can be discovered, as it can be used to separate the other. But finding the matching protein and pronouncing it in industrial quantities is hard, severely limiting any commercial exploitation of the process.

Dr Lowe's early work in this field had been followed with interest by Dr Ken Jones, a chromatographic entrepreneur, and in 1984 the two men met. By 1986, it was agreed that a basis for a technology transfer had been developed, and Affinity Chromatography was formed, with Dr Jones as chief executive and Dr Lowe as a director. Since then, the company and the institute have worked together to develop affinity chromatography into a commercial product.

Even with a detailed business plan and

an experienced entrepreneur at the helm, the company had to rely on directors' financial resources – venture capitalists could not wait the expected 10 years or more before they would get any money back via acquisition or public flotation.

The company's earliest products were molecules related to textile dyes, which were once thought – wrongly as it turned out – to be the breakthrough that would revolutionise the protein separations market.

But, helped by making early use of 3-D computer-assisted molecular modelling, the institute and the company have now developed new structures to simulate the protein-protein interactions occurring in nature. They claim to lead the world in designing "ligands", the molecules which interact selectively with the target proteins, while the company has a unique manufacturing plant in the Isle of Man producing the material.

Working together, the institute and the company design a complete separation system for each client's targeted protein, scale it up, and help clients with regulatory approval. After all that, there is continuing work for the Isle of Man company producing the material.

Already, products have been sold in 25 countries, and exports have averaged 70 per cent of the total since sales began in 1990.

The company does not disclose sales, but the world market for affinity media is about £100m a year and likely to grow fast.

With its technology lead, based on the ability to provide high-purity one-stage separations for all proteins, Affinity Chromatography hopes to capture an increasing share as the market expands.

Andrew Baxter

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THE QUEEN'S AWARDS FOR INDUSTRY 1996

■ Awards for environmental achievement: by Leyla Boulton

UK among top six in world

Britain scores high on technological achievement – yet is near the bottom of the sales league

The Queen has this week rewarded environmental achievements ranging from treatment of smelly sewage to an environmentally-friendly washing machine. The other four winners in the environmental category are energy-efficient electric motors, a low noise gear pump for fork-lift trucks, a fuel injection system for diesel engines and burners to reduce oxides of nitrogen emitted by power plants.

Environmentally-friendly technology is far from glamorous. But it is often touted as one of the great growth industries of the future, as environmental regulations tighten up and conservation of natural resources is seen as more important.

The awards for environmental achievement can be viewed against a backdrop of three separate developments. The first is a growing perception of the environment as a meaningful business opportunity on a worldwide scale, driven by environmental regulation.

Only last week, the Environmental Industries Commission, a lobby group, reiterated its demand that the government should do more to help British companies win business. It used Britain's main show for

environmental management and equipment in Birmingham as the platform for its calls for tighter environmental regulation and more export assistance to compete with US, German and Japanese competitors.

Although none of the award winners had a stand at the Birmingham show, the importance of regulation was recognised by George Franki, chief engineer at Lucas Diesel Systems, when he said that market penetration of its Electronic Unit Injector (EUI) system could "only increase as emissions legislation tightens".

The company's new approach to fuel injection equipment design had been spurred in the early 1980s by the need to meet emission limits anticipated at the time.

The EUI, which can adjust the timing and quantity of fuel for each successive firing stroke, achieves a reduction in all diesel exhaust emissions, particularly NOx and particulates. The latter are likely to be the subject of new regulations in the future. In the past, how-

ever, the environmental benefits of such technological advances have been eaten up by increased traffic volumes and fuel consumption.

Even the EIC lobby group recognises that Britain, although close to the bottom of the total sales league table, is among the top six innovators in the world market for environmental technology.

Half the companies rewarded by the Queen for environmental performance this week have already won her award for export achievement.

Among them is International Combustion, the Rolls-Royce subsidiary which is being rewarded for its range of EnviroNOX burners designed to cut emissions of NOx and other pollutants from power stations.

The company's most important market is the US, in part because of its stringent emissions controls under the Clean Air Act.

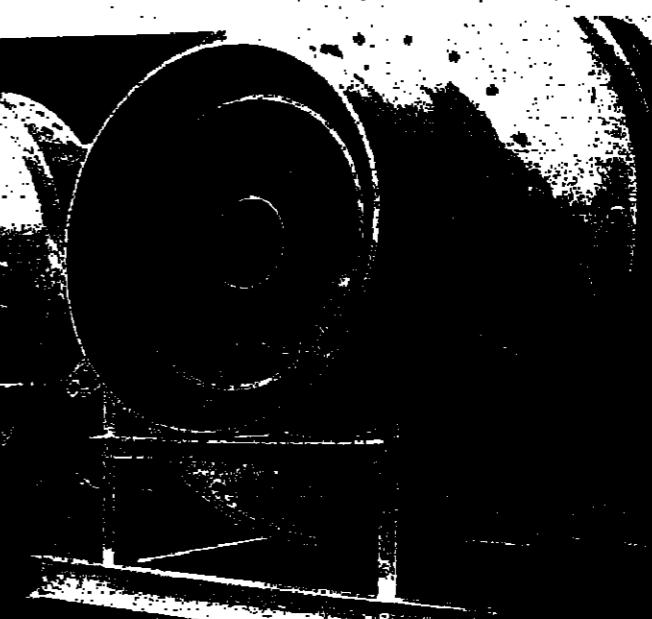
Ultra Hydraulics, which last year won an export award, this year collects an environmental prize for low-noise "Stealth"

The second development was a report earlier this year by the

International Consumer Council, which found that many of the environmentally-friendly claims made by so-called green products are at best irrelevant and at worst misleading.

But although none of the six companies which won awards are mentioned in the NCC report, they are inevitably connected to the issues it raised.

The only product in this year's awards that fits directly into the consumer category addressed by the NCC report is Hoover's range of Soft and New Wave washing machines. The manufacturer claims that its machines not only save on energy bills, water consumption, and detergent loss, but also have a relatively "green" product life-cycle – as indicated by the award for environmental performance.



International Combustion, the Rolls-Royce subsidiary, is being rewarded for its range of EnviroNOX burners

National Consumer Council As the company admits, however, previous inflated claims for green products make it likely that customers will be reluctant to accept as a reason for purchasing that the product delivers a cleaner, faster wash than leading competitive products.

Green products, unless mandated by law, must therefore either compete on price and quality or prove to their customers – other businesses in the case of most of the Queen's awards – that they can make money for them further down the line.

Another development which could affect the environmental awards themselves was a call last week by Britain's Institution of Civil Engineers. It said that the Queen's Award for Environmental Achievement

should be expanded to include a special section for the provision of sustainable infrastructure.

Sustainable development, balancing economic growth with long-term global environmental considerations, is the ultimate challenge facing all technology that aspires to be friendlier to the environment.

A small group of big companies, including Norsk Hydro, the parent of Hydro Chemicals, whose Hydrocare effluent treatment division won an environmental award for its system to make sewage smell less offensive, have aggressively sought to anticipate opportunities in the environmental field.

With water an increasingly sensitive issue since last summer's shortages in parts of

Britain, the performance of water companies and the technology they use is coming under closer scrutiny. Hydrocare's Nutriox system, developed over the past five years, has already been embraced by Anglian Water and Yorkshire Water.

According to Hydrocare, the system has brought "welcome relief to thousands of people who, because of sewage smells, have previously had to endure hot summer days sweltering indoors".

This was unable to save Yorkshire Water from public opprobrium last summer over its water supplies, but such technologies are likely to become increasingly important in future as water use moves up the environmental and industrial agenda.

PROFILE Emayl: plastic picture frame moulding manufacturers

Breaking the moulding

As general manager of Emayl, a plastic picture frame moulding manufacturer which has just won a Queen's Award for Export Achievement, Arnie Kessel says he works "non-stop".

From four workers and 11,000 sq ft of factory space nine years ago, the company now employs nearly 500 people in a 300,000 sq ft factory. Pre-tax profits were \$2m last year on sales of \$22.5m, up from \$3.5m on sales of \$14m the year before.

Of last year's sales 75 per cent were exported. The US is the east London-based

company's largest market – representing almost 85 per cent of the company's exports – but the polystyrene framing material is also sold in the rest of Europe, Australia, Japan, Korea, Taiwan, India, Russia, and South Africa.

The company was the brainchild of Howard Simon, director of Simon and Sons, which makes and distributes wood mouldings and to which Emayl, owned by the same family board members, is affiliated.

After many years of experience at the

96-year-old family-owned company, Mr Simon saw an opportunity for a flexible moulding material which could be made to look like wood, but at less than half the price.

A vast range of finishes can be used to emboss emayl, paint, fill and line it, and make it look like marble, granite or an antique.

Emayl now has 50 of the specially adapted extrusion machines which make 4m ft of the moulding material a week. A total of 7,000 designs are made, which are

then sold on to picture frame manufacturers.

In the US, this is then sold on to retailers such as K-Mart and American Greetings Cards. Among the most popular designs are the "pasta mouldings" which contains a range of ornate embellishments similar to traditional Italian designs.

The innovative nature of the product and the special machines used are behind the company's profitability, says Mr Kessel.

"The technical side is the story of our success," he says.

The company also aims to be environmentally friendly. In addition to recycling waste from the process, Mr

Kessel says: "For every 4m ft we manufacture, 700 ft of wood is saved."

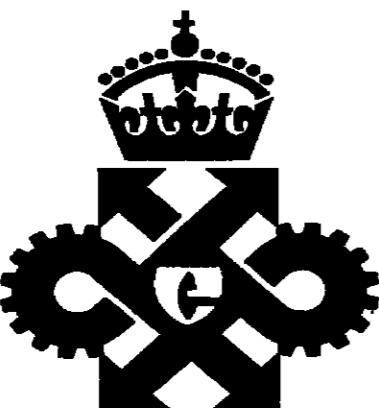
The price of the product, as well as being its advantage, has led to complications: Emayl was the subject of an anti-dumping suit in the US last year. Marley of Marion, Virginia, a US-based company owned by Marley of the UK, accused Emayl of selling its products at unfair prices, lower than UK ones. A preliminary ruling by the US International Trade Commission last year found Marley had shown "a reasonable indication that an industry in the US is threatened with material injury by reason of imports from the UK".

Mr Kessel, who described Marley as Goliath to Emayl's David, says that, after giving evidence, the company is waiting for a verdict, not expected until later this year. "We think we have proved the case," he says.

In spite of this, the company's programme of re-investment will continue, Mr Kessel says. The factory is currently operating 24 hours a day, six days a week.

With a full order book the company expects turnover to increase almost 25 per cent this year, a rise which will cover more than 50 per cent of the world market, it says, with India and Japan the fastest growing markets this year.

Jane Martinson



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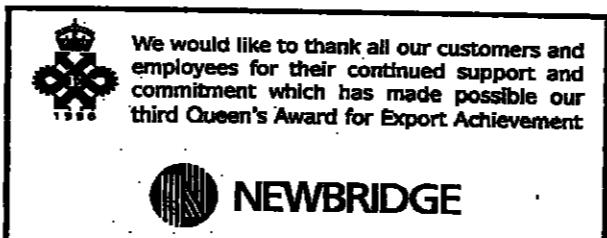


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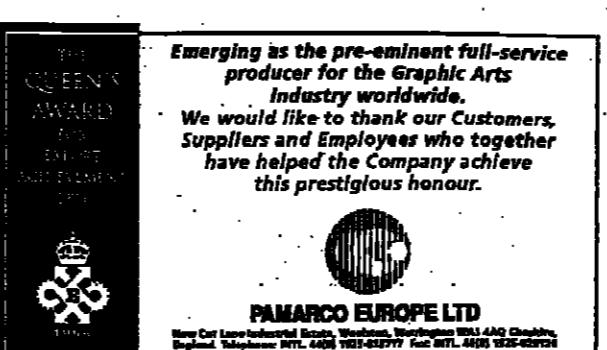
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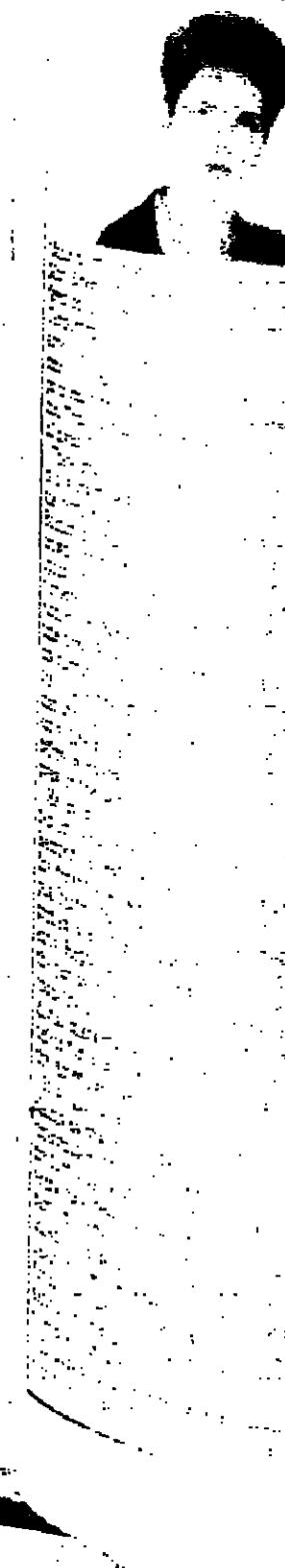


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THIS WEEK

Dr K's riddle still awaits an answer

Harry Kissinger once asked: "Whom do I call to get Europe on the line?" Twenty years later, Dr K is still waiting for an answer.

Mr Europe does not exist. Jacques Delors came close, but he left Brussels 15 months ago. Jacques Santer, his successor as president of the European Commission, keeps his head down. Chancellor Helmut Kohl can call Bill in Washington or Boris in Moscow, but he knows there are limits to German leadership in Europe.

However, President Jacques Chirac of France thinks he has a solution to the EU's missing voice. He is pushing for a new high-profile appointee to speak for the 15 member states, claiming that a Mr or Madame X would give a shot in the arm to the EU's embryonic common foreign and security policy.

Chirac has tabled the idea at the EU's inter-governmental conference now underway to review the Maastricht treaty, although many people

Santer included, suspect Chirac is playing a double game.

Chirac's job proposal looks at first like a device to reward Valery Giscard d'Estaing, his coalition ally in France's 1986 presidential elections. Giscard covets a big job, having stepped down as leader of the liberal UDF party this year.

Sending a power-hungry former French president to Brussels would be like letting an elephant loose in a circus. Smaller countries, which see the Commission as their guardian, are maiming the barricades.

However, Chirac's proposal can be dressed up as principle: the EU needs a figure to represent its collective interests independent of the European Commission. That person should be the servant of the Council of Ministers, the decision-taking body composed of cabinet ministers

DATELINE
Brussels:
Henry Kissinger discovered that Mr Europe does not exist, but perhaps his creation is now overdue, writes Lionel Barber

from the member states.

Chirac is whistling the old Gaulist tune that the Council is the seat of legitimacy and not the supranational Commission, whose responsi-

bilities in external affairs expanded under Delors's leadership between 1985 and 1986, particularly in the management of aid to central and eastern Europe and the former Soviet Union.

Chirac and Alain Juppé, his prime minister, also watched the Commission - under the guidance of the UK's Sir Leon Brittan - negotiate a Gatt world trade agreement which necessarily ignored some of Paris's more extreme demands.

Their conclusion: it is time to put the Commission back on a leash.

The British, desperately seeking allies in the IGC negotiations, are playing along. In London the foreign office has no intention of allowing the French a free hand on trade policy, but the idea of appointing a Mr X as a foreign policy frontman fits broader British plans to

strengthen the Council at the expense of the Commission.

The UK acted two years ago with the dispatch of Brian Crowe, a senior career diplomat, to co-ordinate foreign policy inside the Council's secretariat. He reports to Jürgen Trumpf, the mild-mannered ex-German ambassador in Brussels who is secretary-general.

The Trumpf-Crowe axis ought to be a strong combination, but it is struggling. It lacks high-grade manpower, and it faces resistance from the Commission in the shape of Günter Burghardt, an ex-Delors foreign policy aide.

Burghardt is a Commission activist par excellence. Unlike Britain's chancellor of the exchequer, Kenneth Clarke, Burghardt has read the Maastricht treaty - several times. He knows how to use law and pre-

dict to grind down opposition. And he has seen off most challengers to his empire and to his boss, Commissioner Hans van den Broek, the former Dutch foreign minister.

The cost of the turf battle has been steep: the failure of the Commission to exercise fully its right of initiative in external political relations, and the proliferation of foreign policy power centres, with the Council secretariat starting to build a parallel network, first in New York, now in Geneva.

In an ideal world, the solution to the EU's identity crisis in foreign policy would be to adopt a bureaucratic model on Washington lines. The Commission, with its ready-made expertise, could evolve into an executive body like the US state department. The Council secretariat could function like the

National Security Council staff at the White House. Yet nobody in Europe is ready to import a federalist model from the US. Hence the latest twist in the story: a proposal to create a new planning and analysis unit in Brussels which could act as a motor in foreign policy, anticipating crises such as the conflict in former Yugoslavia and preparing common positions to nurture a European foreign policy "culture".

High ideals come down to the practical question of where to locate the new unit. Burghardt says it belongs to van den Broek. Trumpf, who is running hard himself to be Mr X, wants first right of refusal.

The outcome of this power struggle between the Council and Commission will provide a useful guide to the ideological battles at the IGC. But it will not settle the other question on Dr Kissinger's mind: remembering France's solo diplomacy in the Middle East this week, will there ever be a European foreign policy?

PEOPLE



Amelio goes to the root of Apple's problems

Just 10 weeks after he stepped up to the task of rescuing Apple Computer, Gil Amelio, formerly chief executive of National Semiconductor and a member of Apple's board, has started to formulate a recovery plan for the ailing personal computer manufacturer, reports Louise Kuo in San Francisco.

Last week in conference calls with Wall Street analysts and the press, and in an address to company employees broadcast to the company's sites worldwide, the new Apple chairman and chief executive began with a frank assessment of Apple's predicament.

"Boy, we sure got ourselves in a fix," he said to employees. Apple reported losses of \$74m for the quarter ended March 28, including a \$36m write-off of excess inventories as well as restructuring charges. Sales, at \$2.2bn, were down 18 per cent from the same period last year.

The first order of business, Amelio stated, will be to cut costs. Apple is selling a large production plant employing 1,100 people in Colorado and will lay off an additional 2,800 workers over the next 12 months. He is also moving quickly to shore up Apple's dwindling liquidity by renewing short-term loans and seeking

more tax-free financing. The more taxing question for Amelio, however, is how to restore Apple's reputation for leading-edge technology and its sales growth.

Rashly, perhaps, Amelio promised when he arrived at Apple to present his strategy for the company's "transformation" within 100 days. He is now planning an address

early next month at a previously scheduled Apple event in California for software developers. His presentation will also be closely watched by Apple investors, employees and customers. Industry analysts say it could be a "make or break event" for Apple and for Amelio.

Following in the footsteps of John Sculley, the former PepsiCo executive who became known as a technology visionary when he served as Apple's leader, and Michael Spindler, a no-nonsense manager who is now taking the blame for Apple's problems, Amelio aims to strike a balance, style-wise.

"A successful manager in today's high technology business has to be capable of articulating a vision for his company as well as being a strong implementer. If you have one without the other you are not successful," he said.

San Miguel chief shows his bottle

As a fifth-generation scion of a corporate dynasty, Andres Soriano III, chairman of the Philippines' San Miguel, ought to be a playboy tycoon by now, writes Edward Luce in Manila. However, events at last week's annual meeting in Manila, at which the brewery and consumer goods giant warned of a flat profits outlook suggest that Soriano isn't like that at all.

Educated at prep and public school in Sussex, England, and at the Wharton school of finance in the US, the Spanish-speaking chairman of San Miguel responded to the drama with anglo-saxon stoicism. Indeed, with a whittled-down 2 per cent family holding in the country's oldest blue chip enterprise, Soriano, 45, could argue that he owes his chairmanship to merit rather than inheritance. Looking beyond the stock market flurry, the sober-suited Soriano said that the company's \$1.6bn overseas expansion, encompassing breweries in Vietnam, China, India and Indonesia, would reap medium-term dividends but had pushed up short-term borrowing costs.

Hamstrung by a share dispute with Eduardo Conjuango, the former chairman of San Miguel who fled the country in 1986, San Miguel's chairman observed that the company was unable to tap the equity markets pending legal

resolution of the dispute. Conjuango, who is thought unlikely to win the protracted argument, claims about 50 per cent of the shares. San Miguel, Soriano continued, was also disadvantaged by the fact that its main competitor, Asia Brewery, was under-pricing its products by using tax loopholes. In short, what San Miguel needed was a level playing field, said Soriano.

B Elliott has just the job for Clubb

Ian Clubb, who continues collecting top jobs, becomes non-executive chairman of B Elliott, the diversified UK engineering group.

Clubb will continue as chairman of Central Transport Rental (CTR), the debt-laden trailer rental group formerly called Tiphook, and as non-executive director of a clutch of companies. He joined the B Elliott board a year ago, after meeting Michael Frye, its chief executive, on the board of TLG, formerly Thorn Lighting Group, where they are both non-executives.

Clubb impressed Frye with his financial background - a chartered accountant, he was finance director of BOC, the industrial gases company - and his far east expertise. B Elliott plans to set up more joint ventures in the region, and is likely to open an office in Malaysia soon.

Frye says the amount of time per day the new non-executive chairman gives B Elliott has yet to be decided. "He'll give what's needed," says Frye. Clubb succeeds Gerald Dennis, who is leaving the company for personal reasons. Clubb's past includes spells as deputy managing director of Rupert Murdoch's British Sky Broadcasting, and as managing director of Careless, the oil independent.

When he took over troubled CTR he said he wanted it to be seen "as often as a lizard drinking water", and to become "the most boring office in the country to work in".

Robert Montague, the former chief executive, has since been declared bankrupt, but CTR has yet to become boring. Clubb is trying to arrange a debt restructuring, and the company reported increased interim pre-tax losses of £12.8m (£7.2m) for the six months to October 31.

Milanese scion to pilot Pirelli

Provera is the first non-family chairman, writes Andrew Hill

Marco Tronchetti Provera is possibly the most anti-establishment member of Italy's business establishment.

Scion of a noted Milanese industrial family, he has been chief executive of Pirelli, the tyre and cables group which is one of Italy's largest and oldest industrial companies, since 1992 when it attempted bid for German tyremaker Continental went wrong. Last Friday the 70-year-old Leopoldo Pirelli as chairman.

Yet he is also one of the most outspoken critics of the machinations of Italian politicians and of the sprawling Italian public sector, which he views as the biggest hindrance to Italy's economic drive. Speaking before yesterday's elections, he said he was still afraid that Italy's sluggish progress towards a liberalised market could be reversed. "I see nobody prepared to define a different role for politics in this country," he said. "Politics here still has great economic weight, but its management [of the public sector] has failed."

Four or five years ago, critics might have levelled the same accusation at Pirelli itself. The group's ill-fated bid for Continental plunged it into the red. About half of its £100m (220m) loss for 1991 was blamed on the cost of the unsuccessful offer. The way in which Pirelli had mounted its bid - through alliances based on secret financial guarantees - was widely believed to be one of the reasons for its failure. The crisis left Tronchetti Provera, promoted from managing director to chief executive in place of Leopoldo Pirelli, to pick up the pieces.

The fact that Tronchetti Provera, 48, is to become the first non-Pirelli to chair the group is confirmation of his success. The company has been restructured to concentrate on the core businesses, now run as autonomous subsidiaries. Pirelli still produces a full range

of tyres, but the mix has been adjusted to favour high-performance, high-margin products. In cables, the group is doing pioneering work in the development of phototronics - the high-speed transmission of information as pulses of laser light using optical fibre and other components - and superconducting power cables.

Tronchetti Provera believes Pirelli can do even better, but some financial benefits are already clear. Apart from the change of guard at the top, Friday's other novelty was the announcement of Pirelli's first dividend payment for four years. As it happens, a small but substantial chunk of the payout will go to reward Tronchetti Provera himself, as his family company already controls, indirectly, more of Pirelli than Leopoldo Pirelli.

This makes him appear another archetypal Italian entrepreneur, arrogating power as chairman, chief executive and main shareholder. He may not have been born a Pirelli, but he married Leopoldo's daughter (they have since separated). He is even a keen yachtsman, which puts him metaphorically in the same boat as tycoons such as Gianni Agnelli of Fiat and Carlo De Benedetti of Olivetti.

Tronchetti Provera paints a different picture, of a man who reached the top job because he was the most suitable candidate. "At the time of the Candi crisis, I knew the group, and I had the experience to resolve the problem," he says simply. He knows how to delegate the tyre and cable businesses to the hands of two managing directors, while progress across the world is supervised through a new video-conferencing network.

As for the useful family connections, Tronchetti Provera prefers to highlight a personal affinity with Leopoldo Pirelli. "Family links can be an advantage, and in certain other areas a handicap. In this case, the personal links have been of ben-

efit. We share certain values, such as loyalty - to which I give great weight - and a moral vision of the role of the entrepreneur."

Tronchetti Provera claims it is no coincidence that Pirelli, despite its important role in public contracts, was one of the few large Italian companies not implicated in Italy's Tangentopoli bribery scandal.

That may be why the new chairman feels free to attack the dominance of the Italian public sector, and defend the network of private-sector alliances around Mafinor, the secretive Milan merchant bank, of which Pirelli is an important shareholder - the so-called *salotto buono*, or good drawing room of Italian big business. "Criticism of the

dark days of the 1990s recession.

Roach believes that the first round of productivity gains from corporate restructuring had to be distributed to the owners of capital, rather than workers, so that companies could invest in the machinery and equipment needed to sustain higher worker productivity over the long haul.

The US corporate sector has been on an investment spree in recent years. Non-residential investment grew by 21 per cent in real terms during the first half of the 1990s, against a rise of only 3 per cent in the previous five years. Yet, as the quotation indicates, Roach doubts that these halcyon days for US corporations can continue.

The basic principles of economic theory - not to mention the social and political well-being of the country - demand that the improvement in company balance sheets begin, finally, to show up in the bank accounts of the average work-

er.

Roach's argument goes something like this. The restructuring of

the US corporation from the mid-1980s onwards has achieved a remarkable turnaround in US competitiveness. Productivity growth has picked up after years of poor performance, labour costs and inflationary pressure have shrunk dramatically, and corporate profitability has surged. But the miracle has a dark side, namely mass layoffs and, most striking, a breaking of the age-old link between labour productivity growth, on the one hand, and real compensation (including benefits) on the other.

Economists always point to the latter relationship when responding to complaints about the slow-to-non-existent growth in the real incomes of most US households during the past 20 years. Stagnant real wages, they argue, are the price the country pays for anaemic productivity growth. Get productivity moving again, and sooner or later, living standards will follow.

It has certainly not been "sooner". As Roach notes, productivity in the US non-farm business sector grew by 2 per cent per year, on average, in the first half of the 1990s, but real compensation per employee has grown by a mere 0.6 per cent per year.

As the graph shows, the gap between the two has shown up in a change in the distribution of national income. The share attributable to employee compensation was 72.6 per cent in 1995, nearly 1.4 percentage points lower than in 1982, and nearly 3 percentage points down on 1982. Meanwhile, investment-related income (including profits and rents) accounted for 18.4 per cent of national income last year. That was 2.5 percentage points higher than three years earlier and 3.5 percentage points up on

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MANAGEMENT

Michiyo Nakamoto on the challenges facing the first westerner to head a leading Japanese car maker

New driver takes the wheel

Patience is a quality which will serve Henry Wallace well when he becomes the first westerner to head a leading Japanese car maker this summer.

The staid Scotsman, whose imminent elevation to the post of Mazda president follows Ford's recent decision to take a controlling 33 per cent stake in its long-time partner, speaks little Japanese, a language he finds obscure, and has had difficulty getting used to some aspects of the way business is done in Japan.

"I can't possibly understand all the nuances of Japanese culture," concedes Wallace, who has been with the company for the past two years as executive vice-president. The appointment of a foreigner, however, may be just what Mazda needs to shake it out of its complacency and expose it to new ideas.

Mazda reported consolidated pre-tax losses of Y37.2bn (£230m) in the year to March 1995 and Y37.5bn in the previous year. In the last calendar year, vehicle production in Japan fell 22 per cent to 733,000 units, or nearly half the peak level of 1.4m units in 1990.

Understandably Mazda's new man at the wheel has sent a shiver of nervousness throughout the network of relationships of Mazda employees, suppliers and dealers which has supported the economic growth of Hiroshima, the company's home town whose residents are known to regard even foreigners as outsiders.

Developments are also being watched, with some trepidation, throughout Japan where people wonder what will happen to the identity of a company which has done Japan proud. While no other national industry has faced similar pressures from overseas, many ask whether Mazda's fate provides a lesson to other Japanese companies.

Mazda's loss of independence can arguably be traced to management flaws which have seen the company emphasise its production skills at the expense of strategy and marketing. Its experience belies the view widely held in the west that Japanese companies are better at adapting technologies to meet market needs than at inventing new technologies.

Throughout its history Mazda has been an innovator of some highly acclaimed technologies, such as the rotary engine, and cars that are recognised for their superior engineering. In a market dominated by Toyota and Nissan the urge to differentiate itself in this way has always been strong.

"Mazda people were told that if they copied others they would not be able to survive. So the corporate aim was to bring out

products that were unique," notes Hiro Akutagawa, a senior staff manager in public relations.

The drive to develop innovative technologies and an emphasis on manufacturing excellence, which Mazda shares with many other Japanese manufacturers, fostered an environment in which engineers had tremendous influence.

But, while the concentration on production has undoubtedly been crucial to the success of Mazda, that success obscured an astonishing disregard for key management issues that many managers would consider equally important for the viability of a company, such as corporate strategy and financial controls.

When Wallace and his team of three other managers from Ford arrived at Mazda in 1994, they discovered a company without clearly defined strategic goals.

Instead, Mazda was run by a number of competing fiefs, or "amoebas", as one Mazda official notes, each out to serve its own interests.

As a result, products were developed without concern for the overall corporate strategy. For example, in the 1980s, Mazda's overseas marketing division asked the R&D division to develop a mini-van - known as a multi-purpose "people carrier" - outside the US, years ahead of its Japanese competitors.

But once the mini-van was developed, the domestic marketing team rejected it, leaving the overseas marketing division to sell it in the US alone. As a result, when demand for recreational vehicles exploded in Japan in the 1990s, Mazda was left without a competitive product on offer.

"We were not making decisions on a corporate level," concedes one Japanese official who was involved in the project at the time.

While the lack of a coherent corporate strategy may have been more pronounced at Mazda than at most Japanese companies, to a large extent the lack of management direction stems from a characteristically Japanese emphasis on consensus and a reluctance to create discord within the group.

Rather than formulate corporate strategy and then try to build a consensus around it, Mazda management has, in the interests of harmony, been happy to avoid doing either.

"Management conferences used to be like approval ceremonies," explains one official.

The timetable, which allotted three minutes for discussion of each item on the agenda, was strictly adhered to, and although there was no real consensus, nobody dared to express an opinion much less opposition, he says.

"In Japan, silence is golden," explains



Associated Press

Henry Wallace: 'I can't possibly understand all the nuances of Japanese culture'

Tadahiko Takiguchi, managing director in charge of product planning and R&D.

In the past two years that they have been with Mazda, Wallace and his Ford team have inflicted shock therapy on that corporate culture and in the process they have

earned themselves the title of the "Gang of Four from Ford".

Officials at Mazda confirm that things have already started to change. "People who have suppressed their views have suddenly started to speak up and management

but what you haven't said that is important, so that makes it difficult," he says.

The need to communicate through an interpreter most of the time is not only time-consuming, it can be very frustrating for someone with an agenda. "There's a certain level lost in translation so you're really going through two levels of translation," he explains.

As a result, brain-storming takes on a different meaning in Japan. "I have a short concentration span and it's easy for your mind to wander off to other subjects."

But even with his limited Japanese, Wal-

lace has demonstrated an understanding of the peculiarities of Japanese culture, where relationships and consensus building are crucial to getting anything done.

"You have to have a higher level of consensus in the organisation than you do in the west because even if you have consensus at the management level if you don't have consensus at a lower level, things won't go smoothly," he says.

For a company like Mazda, based in a provincial city where people tend to be rather inward-looking, this is particularly true. By sending a clear message to Mazda

'A real gentleman'



Lucy Kellaway

Henry Wallace may have all the leadership skills that are considered important in the west. But, more important for his new job, he also has qualities that will be essential for the restructuring of Mazda under the aegis of Ford.

A tall, green-eyed Scot with a serious demeanour, Wallace, who was raised in England, is described by his Japanese subordinates as "a real gentleman".

The success of Mazda's restructuring depends critically on Wallace's personal魅力, maintains one Mazda official.

The sensitivity that Wallace has shown towards the Japanese way of doing things distinguishes him from many aggressive westerners who try to push their views through on the grounds that they are right.

Making the most of your phone

I used to think I knew how to make a phone call. You pick up the receiver, dial the number, say your message, maybe chat for a bit, say goodbye, hang up. Easy as that. Now I am not so sure, thanks to a booklet I have just received from TSB PhoneBank. According to Fit to Phone, there are four steps to making a successful telephone call: planning, rehearsing, performing and reviewing. You need to set goals and find out what the call is meant to achieve. You must think about the best time to make that call.

When you have dialled the number you must give your name to the person on the other end, and show you value them by using their name. Body language is also critical. "If you feel more confident standing up, stand up. It's important that you feel positive and in control," says the leaflet. You must be polite, listen actively, ask open questions, and repeat back what they have said to you. After the call you should ask yourself: have I

achieved what I wanted? Even by the standards of facile pamphlets this one takes some beating. Much of the advice it gives is wrong headed: there is nothing more irritating than talking to someone who keeps using your name and summarising whatever point you have just made.

The pamphlet comes with some bizarre research telling us that customers behave worse on the phone than when buying in shops. It finds that nearly half of phone shoppers eat or cook when on the phone, and 17 per cent doodle or watch the TV. Even if these numbers are true, I can't see the problem. If I cook or watch telly when I'm ringing First Direct to check my bank balance, it is not because I'm not making the most of the phone. It is because I am making the most of it. If only one could cook the dinner while shopping at the supermarket.

It is not hard to see why companies

are looking for ways of keeping agitators out of their AGMs. The time and expense involved in circulating shareholders' motions is only part of it. The main motivation must be simple fear. Chairmen are terrified lest they be subjected to the sort of rumpus that met Mr Richard Gordan at British Gas's AGM last year. Most chairmen are remarkably poor at handling hostile questions. No matter how much rehearsing they have received from their PR firms beforehand they still end up getting cross, fumbling the question, or generally showing themselves to disadvantage. The answer is not to suppress the hostile ques-

tions but to find chairmen who can take the flak.

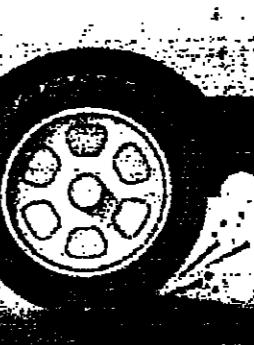
It has been a bad week for baked beans. Not only did their price fall to just 3p a can as supermarkets embarked on another round of price cutting, but their image fell even lower in one of the feeliest Conservative Party campaigns ever. This showed cabinet ministers grimacing inane by two piles of baked beans, one of which was marked "Liberal Democrat half-baked beans" and the other "Labour has-beans". How frightfully amusing. So

what does that make the Tories themselves? "Conservative bean there, done that?"

"Imation", you may be interested to know, is a new word that has been created to name a 3M offshoot that is shortly to be floated. In celebration of the name the company has released a 40-page press pack complete with photographs, slides, floppy discs and tips on how to pronounce the word. At first, the company's full name will be "Imation - Borne of 3M Innovation", although it will drop the subtitle as soon as people have heard of it. Or, in the company's words, as soon as "benchmark awareness levels are achieved". To my eye the logo shows a hand holding a magic wand with thoughts and crosses coming from the end of it. But it seems I am missing something: "The hand emphasises the entrepreneurial role employees will play in working closely with customers to create

innovative products and services that solve problems and meet needs", says the press release. All of which makes me proud of this paper's logo, an "F" in pink.

Last week I complained that I was finding it hard to get used to a minor alteration to our computer system, and concluded that achieving real change at work was well nigh impossible. Since then I have received a stack of letters and faxes from consultants who make a living out of corporate change. They all assure me that wholesale change is perfectly possible, so long as you follow their unique change management programmes. Many of these involve a series of simple steps: acknowledging the need for change, deciding upon which changes are necessary, communicating those changes, and then reviewing the process. It seems that changing your company is easier than making a phone call.



FAST TRACK

Cambridge Neurodynamics

Six years ago, when Mike Lynch, a researcher at Cambridge University's engineering department, decided to turn his research into a business, his bank refused to back him. "In those days it was difficult to raise finance in a complicated area," he says. His proposal was indeed dauntingly technical. He wanted to tackle some difficult problems in automatic pattern recognition by applying advanced signal processing techniques to the branch of computing known as neural networks.

But a short-term loan of £2,000 from a friend was enough to get the business started, and within a few months, it was making profits. Profitability of the company, called Cambridge Neurodynamics, has since risen steadily: it now makes more than £1m profit a year, on turnover of £3.5m.

Its credibility also grew. Its marketing partners include ICL, Unisys, Easal, Data General: its customers include the police and the Ministry of Defence. Last year, it received a £2m investment from Apax Partners, the venture capitalists, which describes the company as "stunning".

The business is built on the pattern recognition abilities of neural networks. These nets, which are composed of many small processors working together, are capable of searching for patterns that are more complex than conventional computers could handle.

For example, car number plates are difficult to read automatically using conventional programming techniques, because they may be smudged, broken or moving. Neural networks can deal with distortions, because they are "trained" by exposure to a wide range of examples.

But neural networks have their limitations. "People say they have the brainpower of a slug. I would compare them to a retarded slug," says Lynch. He believes they should only replace routine tasks.

Examples of tasks tackled by neural networks include fingerprint recognition for police work and for security purposes, cheque reading, credit assessments, freight identification and facial recognition systems. In most cases, humans are needed to complete and confirm their findings.

The company - which is now based in Cambridge's St John's Innovation Park - has recently set its sights on the potentially huge market of "intelligent agents", a type of software that can perform tasks autonomously over a network.

Cambridge Neurodynamics' AutoNomy software can "learn" what a user wants from the Internet, and then search and retrieve it. It is capable of refining its search according to the user's response to the items that it has already selected.

Cambridge Neurodynamics is currently negotiating a marketing partnership for the agent software, which it expects will cost less than £100.

Lynch is convinced that the software will be a best-seller. He dismisses sceptics who believe that US companies will inevitably lead this field, by pointing out that Cambridge is one of the three top centres in the world for research on neural networks.

Vanessa Houlder

IT'S 3.45am WHO'S LOOKING AFTER YOUR CUSTOMERS?

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BUSINESS EDUCATION

Della Bradshaw visits a European institution which is re-defining its role

Smile - it makes sense

Management education is not just about reading a balance sheet or mastering the computer system - communicating with employees and the outside world is a hefty part of the job.

In recognition of this many managers are now being trained to talk to their employees more effectively. Many hope to win extra business through better communications with clients.

The golden rules, says Christine Stuart, managing director of SpeakEasy, which trains managers to improve their communications skills, are:

- Look at people - do not depend on notes;
- Pause more often;
- Always stand if you can;
- Avoid fiddling - it betrays nervousness;
- Simplify what you have to say, using anecdotes rather than figures.

Above all, she says, smile and look friendly - most prospective clients want to do business with people like this. "The more senior the manager, the more concerned they are about coming across as flippant and not being taken seriously," she adds.

DB

Search for a silver lining

What do you do if you are a business school director and want to employ an extra professor but do not have enough cash in the bank? The answer could be to advertise on an academic network to find another business school which is happy to make a joint appointment, splitting the cost.

Bringing such people together is one of the roles of the European Institute for Advanced Studies in Management (EIASM) in Brussels, which is celebrating its 25th anniversary this year. Elsewhere it educates doctoral students and organises seminars.

"I would describe the institute as a network," says Gerry Van Dyck, EIASM's recently appointed director. EIASM started life as a Anglo-American initiative, intended to spearhead American-style business education techniques in Europe. The optimism of 25 years ago was bolstered by funding from European governments. The last government cash evaporated last year and a hard-headed financial reality has now replaced the blue skies approach to management research of the 1970s.

Van Dyck, the only full-time director of EIASM since the first incumbent in the last two decades ago, sees her role as masterminding the transition of the institute from a purely academic to a truly commercial organisation. "The task for the future is to translate academic research for businesses and get more input from business communities to target research. As resources are get-

ting more scarce research has to fulfil several functions," she says.

Her aim over the past year has been to persuade business schools to commit themselves as institutional members of the organisation and to back their commitment with cash. So far, 32 have responded to her call but she is still

looking for more. "I want the institute to grow in a controlled way. I want 100 members that are right. And if they are not right I prefer 75 that are right."

As well as acting as an information source, the institute runs small-scale meetings - between 25 and 30 a year - on specific topics, accounting research,

say, or production control. It also organises conferences and newsletters for outside organisations.

But by far its most innovative programme gives doctoral research students the chance to work with those studying for doctorates in management at other European universities.

The impetus behind Eden (EIASM's doctoral education network) was that doctoral study is a lonely business, with only a handful of students in each school. "But if we can get together - two from London Business School, two from Insead, and so on - we can provide them with very intensive one-week seminars," explains Van Dyck.

Eden comprises five one-week sessions over a two-year period. Each is taught by an acclaimed academic who waives traditional fees. "The strange thing is that these are people who can get tremendously high consultancy fees," points out Van Dyck. "The only way I can explain it is that working with doctoral students has a pay-off other than money."

Van Dyck intends to extend Eden into further disciplines - at the moment it covers only finance, accounting and marketing.

A third target is to expand the institute's influence into eastern Europe. "Twenty-five years ago there was a perceived need to improve links between the US and Europe. Now there is a perceived need to extend our network between western Europe and eastern Europe," she says.

NEWS FROM CAMPUS

Tartan power takes on American advice

senior management experience and a knowledge of healthcare.

University of Otago: New Zealand, 3 479945.

Oiling the wheels of company training

The UK operation of oil company Texaco has become the latest blue chip company to sign a partnership with a business school to provide training for staff.

City University's business school, in the heart of London, has been working with Texaco for almost a year to develop the range of programmes ranging from a single day course to a masters degree.

City University: UK, (0171) 477 8000.

Combined master is fruit of kiwi initiative

New Zealand students should soon be able to study a combined masters degree in business administration and public health.

The degree is being planned at the University of Otago, in Dunedin, and should be in place by 1997.

The qualification is part of a worldwide acknowledgement that the healthcare sector needs top management, and will provide a combination of

Many managers are now focusing on the concept of personal development. In the light of this Ashridge Management College is holding two free briefings on the subject tomorrow in Manchester and on Wednesday in West Bromwich.

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BUSINESS TRAVEL

Travel News • Roger Bray

Jerusalem hotel delay

Tension following the Hamas bombings and heightened by Israel's attacks on Lebanon have delayed the go-ahead for two new Jerusalem hotels, planned by the Spanish chain Grupo Melia Sol.

Luis del Olmo, marketing vice-president, says there is "a certain nervousness" among the joint-venture partners involved in the projects which are both conversions of existing buildings.

No more paperchase

Ticketless travel marches on. USAir has become the latest

airline to dispense with tickets in favour of storing passenger details electronically.

So far the system is available only to passengers booking domestic flights in the US direct, but the system will also cover bookings with USAir Express, a group of regional and commuter carriers which feed traffic into the airline's main hubs.

It does not yet extend to USAir Shuttle flights, which operate between Washington National, New York La Guardia and Boston. There are plans to include them later, however, and to stretch

the system to cover international services. Under the system, customers are given an identification number when they make their reservations. At check-in they receive a boarding card on production of photographic identification, such as a passport.

Stubbed out

Smokers are increasingly being treated as pariahs by airlines. Finnair has just imposed a ban on most European flights, and expects to extend it worldwide by the end of next year, while American Airlines will forbid smoking on all its 238 trans-Atlantic flights from

June 1, and on services between the US and Caribbean.

The growing threat of lawsuits is also persuading carriers that clean air is the way to go. Passengers irritated by smoke in the cabin have already taken legal action against at least one US airline, and cabin staff have launched a class action claiming long-term health damage.

Virtual information

Travellers to the UK can now use the Internet to find a hotel close to the business they are visiting which most meets their needs. And if they have a predilection for Italian or

Chinese food, say, they can predetermine where they would like to eat.

A new service called Internet (leisurehunt.com) allows them to home in on travel destinations and initiate a search within a given distance. They key in the standard of accommodation they want, and concentrate the choice on hotels offering conference facilities, for example, or those with swimming pools and exercise rooms, and the computer offers a list of suitable options.

One weakness is that, so far, the programme shows only hotels which meet the criteria. So if nothing comes up to scratch you have to retrace

your steps and adjust your requirements. But Inswitch-based Internet plans to sharpen it so that it displays a list of those hotels which come closest.

Frequent shoppers

KLM, the Dutch airline, has started awarding frequent-flier miles to duty and tax-free shoppers at Amsterdam's Schiphol airport.

Passengers get six points for every 20 guilders they spend. You need 10,000 points to qualify for an economy-class return ticket between London and Amsterdam, for example – which works out at 830 litre bottles of whisky.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thu	Fri
Tokyo	15	17	21	22	21
Hong Kong	24	25	26	27	28
London	16	14	12	17	16
Frankfurt	27	25	21	19	16
New York	22	21	20	31	31
L. Angeles	24	27	18	21	21
Paris	23	17	19	20	17
Zurich	25	22	19	17	17

Information supplied by Atmos Consult of the Netherlands

BEIRUT DAMASCUS 0345 320100 DUTCH AIRLINES

Michael Holman commiserates with Tubby Fanshawe over flight changes to Africa

Driven to desperate measures

"Tosh," said Tubby Fanshawe. "Uttar tosh, 'Gatwick – gateway to Africa,'" he read out.

"Not so much a gateway as a bloody cul de sac, if you ask me. And what gets my goat is that British Airways think they can get away with treating us like idiots."

With that, Tubby angrily crumpled the letter he was reading, tossed it into the nearest ashtray, and summoned the waiter for a refill.

I looked up from my *Official Airline Guide*, where I had been trying to work out whether it was possible to fly from Lilongwe to London via Nairobi on a Thursday.

"You've lost me, Tubby. What's up?" I asked the distinguished accountant with whom I have shared many an African journey. We were sitting in the top-floor cocktail bar at Nairobi's Inter-Continental hotel.

"British Airways have stopped using Heathrow for most of their flights to Africa," said Tubby. "Just been reading a letter from that woman who keeps writing to me."

I couldn't believe my ears. Given a choice, among London airports, of Gatwick or Heathrow, most travellers choose Heathrow every time – not because it has better shopping malls or more hamburger joints, but because it offers better connections, within Britain and to the rest of the world.

"Are you quite sure, Tubby?" Tubby retrieved the letter and did his best to smooth out the creases. "See for yourself," he said angrily.

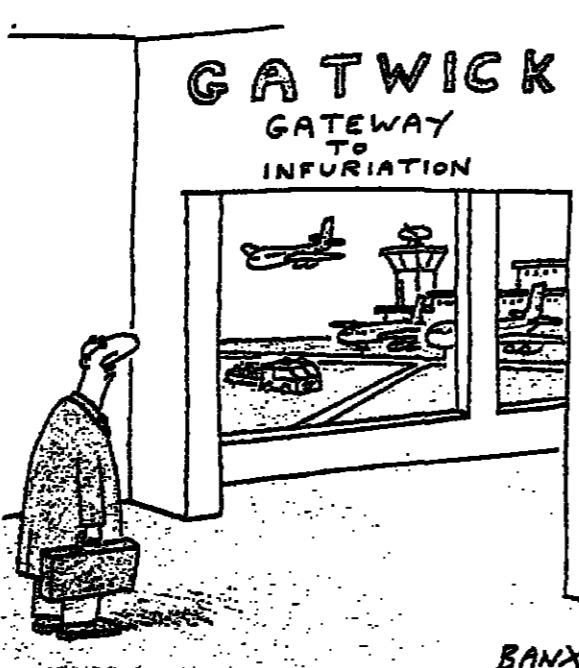
He was absolutely right. From March 18, travellers heading for Lilongwe, Harare, Entebbe, Lusaka, Kampala or Dar es Salaam will depart from Gatwick. I read *Yours sincerely, Carol Mickleburgh, Manager, Executive Club*.

"And take a look at the bump that comes with the letter!" exclaimed BA. "Written by those advertising Johnnies. When it comes to travelling in Africa, they don't know the difference between a baobab and a baboon's what-sit." Tubby's nicotine-stained forefinger prodded the offending sentence. "Gatwick – gateway to Africa! I ask you!"

He's been in a foul mood ever since he failed to qualify for a BA Executive Club gold card, and was downgraded to silver. "It's the last straw," he continued. "And what I resent most is the effrontery of it. Do they think we're stupid?"

I beckoned the waiter. "Explain," I said to Tubby, once the refills had arrived.

"What gets my goat," he told me, "is that these BA chaps try to pretend that they've done us a favour. Listen to this." Pausing for a long draught of Tusker, the excellent local beer, Tubby thrust a BA brochure in front of me. "Listen to this, Hollers: 'It's our



way of bringing Africa a little nearer.' If Gatwick is so wonderful, so convenient, why don't they fly to Johannesburg from Gatwick? But oh no, it's still Heathrow," Tubby fumed.

"Why do you think that is?" I asked him, knowing that he was going to tell me anyway.

"Because competition at the Johannesburg route is pretty stiff, that's why. South African Airways is the only African airline that can give BA a run for its money – at least till recently. 'Choose Gatwick... BA is treating Africa passengers as second-class citizens. We have no choice. It's like it or lump it.'

Tubby fell silent. "Perhaps we do have a choice," he said. "Kenya Airways flies to Heathrow, and by all accounts they're now a decent outfit, privatised, done a deal with KLM. And there is also Alliance Airlines, who fly direct from Heathrow to Entebbe."

I got his drift. "Tubby, sleep on it. Too much is at stake. Think of your Air Miles." But Tubby had made up his mind.

"The time has come," he declared. "Principles are at stake..." And with that he extracted the scissors from his Swiss Army knife, and in a gesture that brought tears to my eyes, cut his BA Executive Club silver card in half.

A proud man had been driven to desperate measures.

Like Greta Garbo, most business travellers want to be alone. If they must sit next to someone on a long flight, they would rather that person got stuck into a book or movie, and ignored them.

The world's most anti-social passengers are from Hong Kong, according to a report on the loves and hates of business travellers. Perhaps they do not want to be drawn into conversation about what they intend to do after China's take-over next year.

Next come the British, who are more likely to complain about their neighbours to cabin staff. Americans, Germans and Singaporeans were found to be "marginally more friendly".

Nearly 40 per cent of business travellers claim to have changed seats to avoid one, says the latest Business Travel Lifestyle Survey from *Official Airline Guide* – and 9 per cent say they have suffered sexual harassment on flights.

One reason behind this seeming desperation for solitude could be an urgent desire to escape opinion researchers. This is the second such report to emerge within a fortnight, just in Britain.

It says the British are most likely to be found chasing a drink in the executive lounge and wishing they were relaxing at home. They are least focused on work and career, least bothered whether the flight is on time, and most likely to give up their seat on an overbooked flight in return for money.

The French are most inclined to strike up in-flight

Life on the wing

Roger Bray finds some surprising national traits in travellers

conversations, work on their charm on check-in staff to secure upgrades, shrug at their employers' travel policies and are most patriotic about flying Air France.

Singaporeans are the most work-oriented – the most likely nationality to take a laptop and most likely to book flights through the Internet, while travellers from Hong Kong are the most avid watchers of in-flight videos.

Meanwhile, the idealistic notion that frequent flyer points should be poured into a company pot to help cut overall costs is being greeted with a rising chorus of rhubarbs from British business travellers.

Another survey shows that an increasing number of those condemned regularly to the red-eye from New York or forced to brave the vagaries of European air traffic control believe they, not their employers, should get the benefit of all those hours in the air.

When it investigated the issue last year for travel agency chain Carlson Wagonlit, Mori, the polling organisation, found that 67 per cent felt rewards such as Air Miles ought to be corporate property. This year the figure has dropped to 56 per cent.

At the same time, more business travellers are cashing in their points, with 47 per cent admitting they had taken advantage. The OAG survey says 75 per cent cash them in, but finds that priority on waitlists is seen as a more important frequent-flier bonus than free tickets or gifts.

Even if the temptation of a free city break in Paris or a couple of nights at a beach resort does not tax employees' consciences, it is clearly exerting strain on their relationships with travel managers. One in five now concedes that efforts to pile on the points creates a conflict with company travel policy, compared with only one in 10 last year.

And about 14 per cent of those making bookings say they have been asked to break policy to help travellers bump up the perks.

Mori does have some good news for finance directors. If the travellers questioned are to be believed, more than three-quarters are prepared to take cut-price, no-frills flights within Europe.

This harsh reality does not extend to long-haul flights, where a comfy seat remains top priority. But it augurs well for the likes of EasyJet, which already operates flights between Luton and Scotland and is about to start an Amsterdam service with one-way fares from £35.

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MEDIA FUTURES

Madison Ave ad agencies eye modem era

Net advertising recalls the dawn of TV, writes Victoria Griffith

In the late 1950s, in the US, an exciting but frightening new media form shook Madison Avenue's big advertising television.

Advertising agencies scrambled to form new "television" departments, and struggled with new advertising concepts. Today those agencies - or their descendants - are forming "interactive" departments to grapple with new media and are studying the early days of television for inspiration.

"We've taken a look at the experience of TV to try to get an idea of what might happen with the new digital media," says Norman Lehouiller, head of agency Grey Interactive.

"We're facing the same excitement - and some of the same demons, too."

Television three decades ago offered fabulous new marketing opportunities. Suddenly, product demonstrations, which had been restricted to small gatherings, could be conducted in front of millions simultaneously.

Yet television was perplexing as well. Programming was scant and often ill-made, and advertisers had no way of knowing how many people they were reaching. However, with the help of ratings from Nielsen, the market research company, and shows like *I Love Lucy*, these challenges were soon resolved.

Advertising agencies now hope their experience with the Internet will follow a similarly happy course. Advertisers on the Internet are facing a content vacuum. Cyberspace is information-heavy in some areas, such as sports, but light in others, like fashion. "Where do we place the ads for women's products?" asks Norman Lehouiller. "In the 1950s, advertisers worked closely with the content providers to come up with the right vehicles [programmes]. On the Internet, we're going to have to do the same thing."

Bristol Myers, for instance, runs a site called Women's Link, which provides information on beauty, fitness and women's health issues, and

gives it an advertising platform. Financial services groups offer investment advice to browsers as a way of advertising their wares, while consumer product companies entice users to their sites by means of games.

Eventually, advertisers believe, special network-type organisations will take over the content responsibility, leaving firms to concentrate on getting their product message across. "There will be an ABC, NBC and CBS of the internet," predicts Lehouiller.

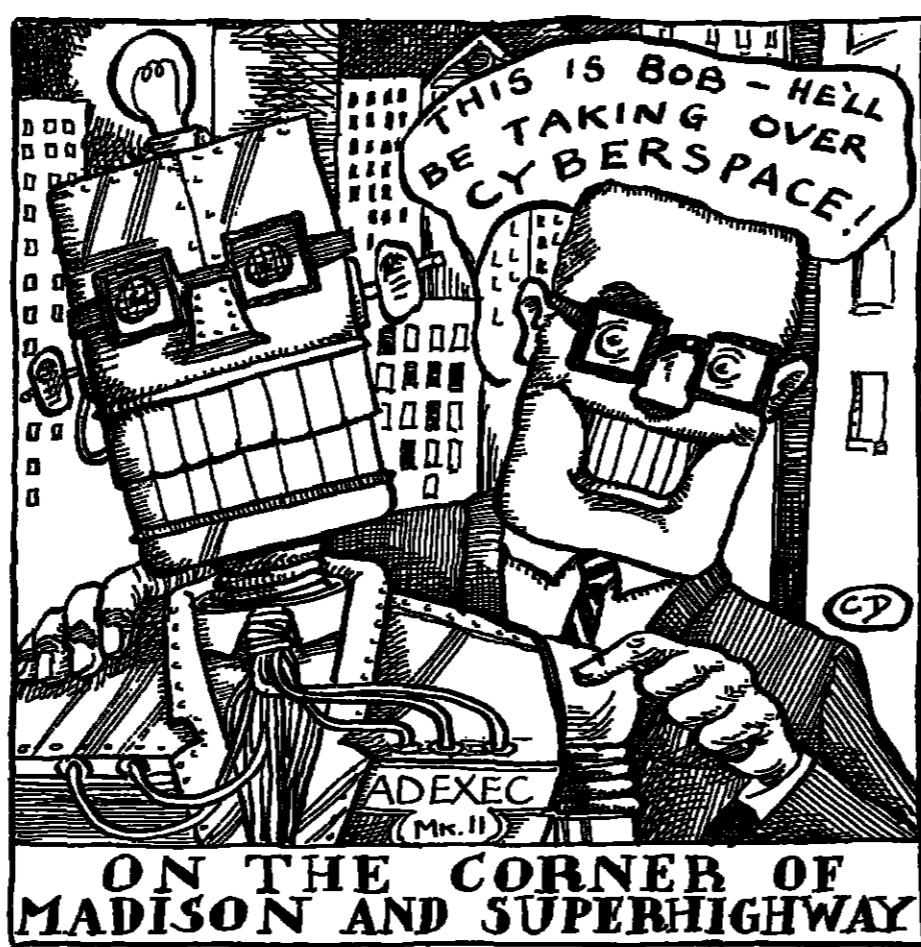
Advertisers also hope the responsibility of measuring audience size will be taken off their shoulders soon. Today, Internet marketers must create databases to track viewers. Many sites encourage users to provide information about themselves; others assign numbers to browsers during the log-on process.

The Internet equivalent of Nielsen's TV ratings may soon emerge. Already, a group called NPD is measuring a cross-section of personal computer activity.

One development favouring traditional advertising agencies in the new multimedia world is the increasing use of video on the Net. The advertising techniques such as Java and Shock Wave allow users to download clips quickly. "The Internet will look more and more like television, which favours agencies like ours," says Michael Troiano, head of Ogilvy & Mather Interactive.

While there may be similarities between the birth of television and the rise of the Internet, there are also important differences. Cyberspace is more technologically taxing than television, and - unlike television - the technology will probably continue to change, at great speed, over many years.

That may explain why many ad agencies have been slow to seize opportunities in cyberspace. "Madison Avenue firms are not known for their technological prowess, which is probably why a number of them are



getting in a little late," says one analyst.

The US agencies still seem unsure what to do. Many, including Grey, Ogilvy & Mather and J Walter Thompson, have set up "interactive" departments dedicated to cyberspace marketing. A few are ignoring the revolution altogether. Most continue to farm out substantial parts of their work to start-up companies specialising in Internet advertising firms like California's CKS Group, Boston's Spinners and Washington's Magnet, which have taken up the interactive advertising slack.

"The big agencies were sluggish in responding to the cyberspace opportunity," says Steven Conine, a partner at Spinners. "We know how hard it is to get staff, because of our own problems recruiting. But now we've [got] a head-start."

Conine believes Internet advertising is far more difficult than many of the big firms realise. "Anyone can set up a Web site, but it's more complicated than that if you want to do it right." For instance, building up databases, coming up with something that's user-friendly and creating links between various pages requires computer programming skills that often exceed Madison Avenue's capability.

Client demand has pushed traditional agencies into action. Eighteen months ago, advertising on the Internet was widely regarded as experimental. Now it is increasingly an important part of an overall marketing strategy. Not long ago, companies set up Web sites for a few thousand dollars. Now, advertising groups are spending \$50,000 or more for a single cyberspace spot.

"We want our Internet advertising to be fully integrated with our brand marketing," says Robin Carlson, a spokesman for Sprint. "That's why we chose J Walter Thompson over a specialised agency, because they are our advertising agency of record."

Yet the niche firms that have sprung up during the last 18 months are sceptical of Madison Avenue's ability to acquire cyberspace expertise quickly.

They are going to have a very difficult time finding experienced people," says Steven Conine, a partner at Spinners.

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Online classifieds arrive in UK

By Raymond Snoddy

Rupert Murdoch's News International has joined the Press Association, the UK's national news agency, in an ambitious project to defend the £1.5bn (\$2.2bn) a year newspaper classified advertising market from electronic rivals.

The two organisations announce today that they plan to launch Classified Link UK, an interactive online classified advertising service for UK newspapers in the last quarter of this year.

Participating newspapers will be able to place all their classified advertising on a large central database at the PA's headquarters in London.

It should almost immediately become the largest UK classified advertising site on the Net.

Users looking for a job, a house or a car will use search words to consult a database.

They will find relevant advertisements in an electronic trawl through the ads available from the subscribing newspapers. The pages pulled up will carry the name of the electronic database.

Each paper will be free to develop its own commercial policy on electronic classified - whether to charge extra for the electronic service or not.

Classified advertising largely determines newspapers' economic health, particularly among the regional

press and any serious leakage of classified revenue to new electronic rivals would be harmful.

PeopleBank, now controlled by Lord Rothermere's Associated Newspapers group, is already aiming at the recruitment advertising sector with an online service. The company encourages people to fill in a CV, which is entered into the electronic database.

During the next five years, the growth of Net and online services are expected to create an important market for classified advertising. Richard Withy, director of new media at News International, believes newspapers are ideally placed to take advantage of such opportunities, as well as defend their existing business.

In the first year, newspapers will pay a founders' subscription. Subsequent charges will reflect the number of advertisements each newspaper has on the system. News International and the PA got together to develop Classified Link UK, a project that will cost £35m, as both were already active in electronic publishing and using the Net.

The Times went on the Net earlier this year. Last year The Times Higher Education Supplement became the first UK publication to put all its classified advertising on the Net, a decision that led to significant increases in circulation and advertising revenue.

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Net telephony anxieties intensify

By Alan Cane and Tim Jackson

Encouraging the use of the Net for voice telephone calls would help drive down long-distance call charges across the board, a senior US regulator claimed last week.

Prof Joseph Farrell, chief economist at the Federal Communications Commission (FCC), the body which regulates US telecoms and broadcasting, told a London conference that there should be no

restrictions on Net telephony. It would help to drive down the charges long-distance operators pay to connect into local networks, and so reduce the cost of long-distance calls.

He made it clear he was expressing a personal opinion. But his views will intensify one of the hottest controversies in the telecoms industry. Many believe the growth of Net telephony - by which users are able to call anywhere in the world for the price of a local call - may fundamentally change the economics of the telephone business.

Last month, America's Carriers Telecommunications Association, an organisation of 130 of the largest US long-distance operators, including MCI and Sprint, complained to the FCC that Net access providers are exempt from the charges they have to pay to local phone companies for access to networks.

They petitioned the FCC to stop companies selling computer hardware and software that allow use of the Net for voice conversations.

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"Rather than restricting Internet telephony," he said, "we should react to it as a driving force for access charge reform."

The Cool Educational Site of the Week (www.cyberation.net/~may/surprise.htm) is well worth a visit. Simply click on the ruby slippers in order to be taken to a different educational site, updated every Wednesday. This week's is an AT&T page all about microscopes.

The US Association for Accounting Marketing has put up details of its conference next month in San Diego at www.mailbox.com/users/acom. Likewise, information on

the ninth session of the United Nations Conference on Trade and Development, which will be held in South Africa from April 27 to May 11, is at <http://gatekeeper.unucc.org/unctad/en/special/special.htm>.

The Productivity Works' (www.productivity.com) pwWeb-Speak technology gives the visually impaired access to Web-based information by means of a text-to-speech reading device. It is being field-tested by the Royal National Institute for the Blind. Information is available from Software Engineering (www.software-engineering.ch), the Swiss company helping to distribute the product in the EU.

The Merlin Falcon MBA Guide (www.spa.co.uk/merlin/falcon.co.uk/mba.htm) is an

excellent, searchable guide to MBA programmes by country, and has helpful background information for students and prospective students.

Internet Holiday Rentals (www.holiday-rentals.co.uk) will prove useful for planning a summer break. Covering Britain, Europe and further afield, it has pictures of the properties available, and details of the accommodation on offer. To advertise a property costs £30 for three months, with a set-up fee. Worth a look.

Details of the 1996 National Information Infrastructure Awards can be obtained at www.gii-awards.com.

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Tim Jackson

Doctoring the data

In Britain, with its command-and-control health-care system, entrepreneurship and medicine have traditionally been mutually exclusive. One would no more expect to find business savvy in a doctor than in a civil servant.

The US is another country; they do things differently there. Hence, perhaps, the success of Physicians' Online (POL), a private Internet information service founded by three medical practitioners in 1994. Physicians' Online - the presence of the apostrophe and the absence of any capital letters in the middle of words - is based on two ideas of great simplicity. Doctors can benefit disproportionately from the things that online services can do; they are also, in the words of Dr Steve Zatz, the company's chief executive, "a uniquely sponsorable community."

That is partly because US physicians run small but high-margin businesses, which have plenty of money to spend on all kinds of products and services. It is also because the prescribing decisions they make on behalf of patients are worth over \$1 trillion a year.

Traditionally, drug companies have great difficulty in selling their wares to doctors. They hire expensive, highly educated salesmen; yet these salesmen spend remarkably few minutes of each day actually talking to their "clients". Pharmaceutical reps are usually treated with such contempt that they are often forced to deliver a three-minute spiel while the doctor is munching between patients. No wonder doctors are flooded with gaudy free gifts.

The opportunity to deliver a sales pitch electronically, to a physician who is in a receptive mood, is therefore of immense value to drug companies. While the going rate for an average Internet user is about \$0.02 US per "impression"

(per page of advertising viewed), Dr Zatz says that two views a month by a doctor of a page of information can be worth "north of \$50" to a pharmaceutical firm.

POL has been able to put together an impressive range of content that is delivered to doctors entirely free. The service's 55,000 subscribers, physicians all, can use a database of 7m references in 3,700 journals. They can keep up with information on AIDS using a separate news and information service; they can check descriptions of all drugs prescribed by the Food and Drug Administration, and many of the words and the absence of any capital letters in the middle of words - is based on two ideas of great simplicity. Doctors can benefit disproportionately from the things that online services can do; they are also, in the words of Dr Steve Zatz, the company's chief executive, "a uniquely sponsorable community."

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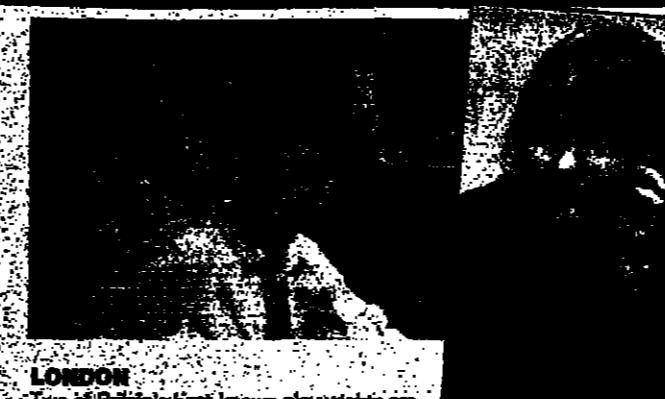
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dream of a
d library

OPENINGS



BADEN-BADEN
The South West German Radio Orchestra was founded immediately after the Second World War with a specific commitment to new music. As part of its 50th anniversary celebrations, the orchestra gives a concert in Baden-Baden on Wednesday, its first test to London on Saturday, followed by a German tour. The programme includes Brahms's Violin Concerto, played by Christian Tetzlaff, and the conductor is Michael Gielen (left).



LONDON Two of Britain's best-known playwrights are currently involved in directing American plays here: Harold Pinter's staging of Reginald Rose's famous jury play "Twelve Angry Men" comes to the Comedy Theatre tonight. The cast includes Timothy West and Kevin Whately (above). Meanwhile, David Hare stages Wallace Shawn's "The Designated Mourner" at the Coliseum Theatre, opening on Wednesday, with a cast including David de Kuyser, Miranda Richardson (above right), and the American director Mike Nichols.

ARTS

STRATFORD-UPON-AVON
The Royal Shakespeare Company launches its new Stratford season this week. Steven Pimlott directs "As You Like It" with a cast led by Niamh Cusack, Arthur Cox, Joseph Flennick, and Victoria Hamilton, opening on Thursday; Gale Edwards directs "The White Devil", with a cast led by Jane Garnett, Caroline Blakiston, and Philip Quast, opening on Friday.

WASHINGTON The 17th century Dutch artist Jan Steen is best known for his boisterous low-life genre scenes, but he also painted sensitive portraits, refined images of upper-class life and religious scenes. An exhibition opening at the National Gallery of Art on Sunday will examine the wide range of subject and style in Steen's work.

NEW YORK Picasso's work contains a large number of pictures inspired by particular people, but until now there has never been an exhibition devoted to his portraits. The Museum of Modern Art's "Picasso and Portraiture" opens on Sunday; a smaller version will be shown in Paris in the autumn.

BASEL Paul Sacher, the Swiss musician and patron of the arts, celebrates his 80th birthday on Sunday, and his native city is marking the occasion in style. At the Stadtcasino on Saturday, Pierre Boulez will conduct the Ensemble InterContemporain in new works by Birtwistle, Baric, Boulez and Elliott Carter. This and other musical tributes are linked to an exhibition at the Kunstmuseum entitled "Classical Modernism", featuring paintings by Picasso, Matisse, Dalí, Mondrian, Klee and many others. It opens on Saturday and runs to mid-August.

Concert Muti in buoyant form

The Philharmonia Orchestra, which currently lacks music director and a principal conductor, is finding some 15 conductors this season. This is very different from the days when a single maestro ruled his orchestra with a baton of iron.

However, a glimpse of these times could be caught when Riccardo Muti returned to the Festival Hall on Thursday to conduct his old orchestra in a programme of Haydn and Cherubini.

By modern standards Muti's 11 years as the Philharmonia's principal conductor and music director seem positively protracted. His predecessor Otto Klemperer held sway for 14 years, his successor Giuseppe Sinopoli lasted ten. Each made their own distinctive, if sometimes erratic, mark on the orchestra, an achievement hardly possible in our age of one-off engagements.

Even so, Muti and the Philharmonia are still a formidable team, and fears that his association with the Philadelphia Orchestra may have injured him to subtlety of effect or that his work at La Scala may have weakened his grip on musical structure proved unfounded.

Muti has little time for authenticity, it would seem. In Haydn's Symphony No.48 ("Maria Theresa") he sported a fullish orchestra and favoured a warm string tone which was sometimes allowed to obscure the woodwind and brass. But in its own way it was a faultless reading, robust yet buoyant and unafraid of wide dynamic contrasts. He conducts Haydn not in clipped, uniform phrases but as a seamless line in which every gesture is given its own distinctive character and impelled towards the next. For once the repeats were to be anticipated and savoured.

Muti's pulling power means that he can afford to take risks with repertoire. Cherubini's *Missa Solemnis*, an ambitious work which exceeds Beethoven's in length but not in vision, is hardly a crowd puller. Cherubini's late church music is everything you might expect from a director of the Paris Conservatoire: solid, learned, and effective. That Muti has long been an advocate of this music was evident from the fervent tone he drew from a well prepared and robust sounding Philharmonia Chorus and the white hot intensity of the overall result. But it remains a humdrum work and it was a pity that he had not chosen to expend his energies on something a little more worthy.

Antony Bye



Multi-allergic horrors of 20th-century illness: Julianne Moore in Todd Haynes's "Safe"

Low budget films with a sense of adventure

Nigel Andrews talks to three directors called Todd about the prerogatives and preoccupations of independent American cinema

It happens - metaphorically at least - every year at every film festival. A well-known "unofficial" shipload of celluloid docks next to the official one, causing a sudden scramble of diverted interest. "The American independents have arrived!" shout critics on the quayside. And soon they are marking their diaries for all the vibrant low-budget films from Poughkeepsie or Peoria, from NYU or UCLA.

Two great truths govern American independent cinema. One: no other country comes near it in range, daring and talent. (Many names now deemed household began in the "U.S. Indies" section at Cannes, Berlin or elsewhere, from Lynch to the Coen brothers.) Two: every young director today seems, by kismet or coincidence, to be called Todd.

With Todd Haynes's *Safe* opening this week - the newest film from the director of the baroque unravelling *Poison*, arguably the best independent film of the early 1990s - what better time to buttonhole him, along with two other freshly acclaimed Todds met at the recent Berlin Film Festival.

Todd Solondz made *Welcome To The Dollhouse*, which took the Sundance Festival Grand Jury Prize for its wondrous off-kilter tale of a plain schoolgirl's coming of age. (It opens in Britain later this year.) And Todd Verow made *Frisk*, which caused much gasping in the aisles at Berlin with its graphic portrait of a group of gay sex-killers.

In their different ways, these directors cast a fascinating light on five important aspects that pinpoint the special prerogatives or preoccupations of independent cinema.

For **AMBIGUITY**. Away from the mainstream, complexity can thrive and messages need not be spelled out for the hard-of-thinking. Haynes's *Safe* is the low-key but sumptuously shot tale of a Beverly Hills housewife (Julianne Moore) succumbing to the multi-allergic horrors of "20th century illness." Mild coughing thwarts his progress to hollings, oxygen cylinders and a visit to a macabre psychological health clinic.

But is the movie really - or only - about illness? Or is it also about the heroine's larger enigma as she navigates a moribund marriage, a clucking circle of friends and a city

of smog, health salads and jogging?

"The film doesn't tell you what to think or how to interpret," Haynes says. "In many ways it follows the TV movie disease-of-the-week format. But unlike a mass-audience film it undermines the idea of the heroine's supposed victory at the end by trying to raise larger questions about society and our need to answer those every malaise."

But neither that deeper meaning, says Haynes, nor the film's glacially elegant style are intended to deter an emotional response. "The look is inspired partly by Kubrick's *2001*, where nature and human mess have long vanished from the planet, something you often feel in Los Angeles! But that isn't meant to distance the audience. The very act of identification the spectator goes through, sitting in a cinema where stories are coming to life, is part of what made me want to make films rather than paint or write or operate in an arguably more 'elitist' media."

Todd Solondz's *Welcome To The Dollhouse* also aims to pull the audience in emotionally, while refusing to bludgeon it with facile answers or denouements. The gawky, thick-spectacled heroine is shunned by every schoolmate save the class bully, who homes in on her with brigandage threats of "rape". But nothing goes to Hollywood plan. The bully turns out to be a disoriented loner just like her. And the girl never does take off those specs Hollywood-style.

The girl's not a victim, that wouldn't interest me," says Solondz. "The idea of the film is that the persecutor and persecuted reside inside each of us. The bully's just as much an outcast as she. So there's a bond, and there's something quite beautiful in their first kiss, which was actually the actress's first kiss."

"All of us adults are guilty of deviating kids and that's reflected in Hollywood movies. There's a complexity and richness in their lives that we're often lazy about recognising."

Todd Verow's *Frisk* is even bolder in defying routine expectation. The film's episodes of sex and premeditated violence, drawn from a Dennis Cooper novel, are presented without any "judgment" at all, let alone

Solondz: "I've read about this

explicit condemnation.

"The book ends with the narrator saying, 'Oh I made all this up, it's not true.' I changed that. I wanted the ending to be more ambiguous. I wanted people to relate to it as a possible reality, not a fantasy, that's a Hollywood escape route. There's a dark side to all of us. We all drive by car crashes and want to look. A lot of people who are in denial of that don't like the film."

But for **BUDGET**. The mathematics are awesome. One *Waterworld* would buy two hundred *Safes* and two thousand *Frisks*. Even at this budget level, independent films can be difficult to finance.

Haynes: "Safe cost just under a million dollars, some of that from Britain's Channel Four. Because of the difficult subject, it was hard to finance and very hard to achieve the 'look' we wanted on the money."

My next project *Gitter Rock*, based on the British music scene of the 1970s, has been much easier. The

subject - David Bowie and Gary Glitter; dressing up and "constructing" images - relaxes investors."

So, surprisingly, did Haynes's *Genet*-derived *Poison*, whose gay main story appealed to the National Endowment for the Arts at the time of gathering AIDS consciousness.

Solondz: "My career started with one of those 'only in Hollywood' stories. A couple of studios, Fox and Columbia, saw my student films and gave me a three-picture deal each. But I had a bad experience - refusing to specify - and walked out on them. Then later some lawyer friends who wanted to invest in film persuaded me to dig out an old script. That became *Dollhouse*.

"My career was under a million and that caused all the compromises. At this level you shoot for the stars but are lucky if you get five per cent. Of the 15 locations you plan, you can have three. I wanted the girl singing at Disneyland in the last scene - it was my downbeat ending! - but we couldn't afford it so we put her on a bus to *going to Disneyland*."

Verow: "The budget was under \$100,000. We got a free camera package, half-price film and no one on the production got paid."

For **COMRADESHIP**. Do America's independent directors constitute a "movement" or movie community?

Solondz: "I've read about this

society of independent film-makers, but I've never been invited to it or its parties. It's not like Ah we all hang out at this cafe! The main time you meet other directors is at festivals. But I wouldn't even have done that if my film hadn't been successful."

Verow: "If you work in the same subculture there's sometimes a sense of community. Several of the people involved in *Frisk* came from other gay movies. But at the same time I wanted to broaden the film by bringing in women characters; I didn't want it dismissed as the story of a self-enclosed clique."

Haynes: "The last thing we want is a movement. It's one of the ideas behind *Safe*, that we all have this need to feel that people accept us and we belong to some larger creed or culture. Illness reveals to my main character how cut off she is in L.A., but when she gets a new identity and home - the clinic - the terms don't really differ from those she left behind. That chaotic painful isolation we feel as people, or artists, is something that can have a

value but society doesn't know how to deal with it."

D for **DESTINATIONS**. Axiom: every American film-maker wants to end up in Hollywood.

Solondz: "If anyone has a degree of success, it's only natural they will knock on your door. I've had offers, but I don't know what I'll do. I think I still have those two three-picture deals with Fox and Columbia."

Haynes: "First you get agents calling it started when *Poison* won the Grand Prize at Sundance. But I never felt an agent was what I needed. I actually have a lawyer who 'agents' for me and other independents like Richard Linklater (of *Before Sunrise*). But you can also be approached by a star. After *Safe* Jennifer Jason Leigh wanted me to do a \$6m movie with her and I liked the script. But it fell through when reviews for her new film (*Georgia*) complained she was always playing the same role!"

"The line is getting blurred anyway between mainstream and independent. With government cutbacks there's much less grant-funding now, so most film-makers have to go to commercial investors."

Verow: "Am I going to Hollywood? No, I'm going to Bangor, Maine. My next film is based on a real incident in which a gay guy was killed by five teenagers. He was beaten up and thrown off a bridge. The film is about what it's like to grow up in a town like that." As Verow did. He was at school with those five teenagers.

Z for **ZZZZZZ**. Impossible in a good independent movie: the promise or threat of innovation is a constant wake-up stimulus. For Todd Haynes one duty of the independent film-maker is to carry that sense of adventure and new ideas into mainstream cinema. "I never saw myself as just an experimental director. My ambition was always to enter the dominant heart of film-making, which is narrative films, and once there to question and re-invent and surprise. Movies have a unique power to affect people. It should be used to awaken new ideas not just reinforce old ones."

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European Money Wheel

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■ Indonesian Pictures, Watercolours, Drawings and Works of Art: this specialised sale of Indonesian paintings, watercolours and drawings also features several European painters who worked on the island of Bali, including Adrien Jean le Mayeur de Merples, Rudolf Bonnet, Theo Meier and Isaac Israels; 10.30am; April 24

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
■ Deutsches Symphonie-Orchester Berlin: with conductor Heinz Holliger and violinist Thomas Zehetmair perform works by R. Schumann and Holliger; 8pm; April 24
Philharmonie & Kammermusiksaal Tel: 49-30-2614363
■ St. Petersburg Soloists: with conductor Stefan Bevier and conductor Friedhelm Ptok perform

works by Schubert and Saint-Saëns; 8pm; April 27

OPERA

Deutsche Oper Berlin

Tel: 49-30-345401

■ Il Trovatore: by Verdi. Conducted by Jiri Kout (Apr 23, May 3) and Johan Amell (Apr 28) and performed by the Deutsche Oper Berlin.

Soloists include Györgyi Lukács, Marcia Bannay, George Fortune and Reinhard Hagen; 7.30pm; April 23, May 3

Komische Oper Tel: 49-30-202600

■ Il Trovatore: by Verdi. Conducted by Charles Farncombe and performed by the Komische Oper.

Soloists include Van Oyen, Korwin, Rabliser and Grabowski; 7pm; April 23, 26, 28

DUBLIN

CONCERT

National Concert Hall - Geórla

Náisiúnta Tel: 353-1-6711888

■ A Gala Viennese and French Evening: with the Orchestra of St Cecilia, conducted by Aidan Faughey, soprano Kathryn Smith and tenor Arthur Davies. The programme includes the overture to Der Zigeunerbaron, the overture to La Vie Parisienne and songs and

duets from Die Lustige Witwe, La Belle Hélène, Die Fledermaus and Der Zigeunerbaron; 8pm; April 27

HAMBURG

CONCERT

Hamburgische Staatsoper

Tel: 49-40-351721

■ Amo Raung: the counter-tenor performs works by Handel, Paisiello, Montesi, Porpora, Gluck and Mozart; 8pm; April 23

Komische Oper Tel: 49-30-202600

■ Il Trovatore: by Verdi. Conducted by Charles Farncombe and performed by the Komische Oper.

Soloists include Anthony Rolfe Johnson, Kathryn Haines, Peter Sidhom and Philip Sheffield; 7.30pm; April 24 to Oct 6

OPERA

London Coliseum

Tel: 3

COMMENT & ANALYSIS



Michael Prowse · America

Wolfensohn's task

The World Bank's new president is getting good publicity but cannot stem the institution's declining global significance

When the World Bank celebrated its 50th anniversary in 1994, it was attacked from all sides. Aid agencies such as Oxfam and Christian Aid complained that its allegedly harsh adjustment programmes were aggravating, rather than alleviating, social and environmental problems, especially in Africa. Conservative critics, meanwhile, argued that the rapid growth of private capital flows to developing countries had made the bank redundant.

Since taking over as president last year, Mr Jim Wolfensohn has tried to defuse what had become an intolerable din of criticism. He seems to be succeeding – at least with his natural allies in the global aid community. He pushed hard (and early) for generous multilateral debt relief for the poorest African countries; aid lobbyists are likely to blame the leaders of industrial countries, rather than Mr Wolfensohn, if the final scheme falls short of expectations.

And he has shown greater willingness than his predecessors to consult the leaders of non-governmental organisations and other aid groups. He is, for example, seeking their advice on ways to enhance the social component of structural adjustment programmes. "He's acting like the rest of the world exists – that's the big difference," says Ms Nancy Alexander, an admirer at Bread for the World, a US voluntary group.

Mr Wolfensohn's other main priority has been to reform the bank internally. He wants to create a "results culture" in which staff are judged not by the number or size of loans they generate but by the success or failure of projects on the ground. He has also promised to "break the armlock of bureaucracy on the institution" and encourage risk-taking and innovation. So far, however, progress appears to be disappointing.

At an extraordinary internal meeting with senior managers last month, he complained of widespread "cynicism and dis-

trust". He referred angrily to a "glass wall" between him and the staff that was preventing him generating enthusiasm, change and commitment to reform. At times he seemed to despair of changing the bank's culture: "I just don't know what else to do... I just beg you to think about it," he said.

Reading the transcript, I had a sneaking sympathy for the bank's senior staff. Every few years it is their misfortune to have a new president fresh from the private sector. The new chief invariably decides the bank is appallingly badly managed and demands instant reforms.

The problem in part is simply a misunderstanding of the way bureaucracies must function. The bank is owned by the world's governments. Its staff are civil servants, answerable to their political masters. They do not, and cannot, have a simple bottom line, comparable to that of "maximising profits".

They cannot be turned into entrepreneurs. Their goal is the fuzzy one of promoting third world development in ways acceptable to member governments. In an organisation not guided by the profit motive, a hierarchical chain of command and a detailed system of rules and regulations is more or less unavoidable. A bureaucracy without red tape is literally inconceivable.

Thanks to its status as a public institution, it could borrow at fine terms from lenders in industrial countries and recycle the funds to grateful governments in the third world. Its lending, staff and portfolio of projects grew rapidly, giving everyone a sense of purpose and achievement.

That sense of importance has disappeared and will

never return – short of a global calamity which destroys private capital mobility. Private flows have quadrupled since 1990 while official development assistance has stagnated. The single largest source of finance for developing countries is now foreign direct investment by those once-reviled multinational companies. The bank's modest concessional loans to the poorest countries of about \$5bn a year are insignificant when set against total flows to developing nations of \$200bn a year. Its net disbursements at normal interest rates have dwindled almost to nothing, reflecting the maturity of its loan portfolio.

If Mr Wolfensohn is to restore a sense of purpose, he must confront this change in the bank's circumstances. It perhaps still has a role as a lender to the poorest of the poor, although they too would gain access to private flows if they instigated suitable economic and political reforms. But such a narrowed remit would not require anything like the present staff of 10,000.

Some say the bank still has a future as a provider of consulting services rather than loans. But it is not clear why advice cannot be provided by private sector groups. Mr Wolfensohn's plan to create an "internal market" in which country managers handle relations with client governments and purchase services from technical staff such as economists and agriculturalists within the bank does not go far enough. Why pretend all this must be done in house? The way to achieve the entrepreneurial changes he claims to want is by sweeping privatisation of bank functions.

Many staff would probably be more productive – and happier – if they formed their own private consultancies and competed for the custom of third world governments. But this is not a solution for bank lassitude that either Mr Wolfensohn, or his friends in the aid community, would ever willingly embrace.



Wolfensohn: has tried to defuse criticism since taking over

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Automatic gift of tongues

More computers are being used to translate documents, and they save money

The galactic hitchhikers in the world of science fiction author Douglas Adams had a simple way to understand any language they came across – they simply popped a Babel fish into their ear.

Back on earth, things are not so easy. The translation of spoken and written languages was one of the first non-numeric applications envisaged for computers, but initial high hopes were dashed. Quality translation, particularly of general texts, remains to this day an elusive goal.

The past decade, however, has seen a resurgence of research into machine translation (MT). Funding for academic and commercial research projects in Japan, Europe and the US has been stepped up.

The globalisation of business has been a driving force. Complex technical products traded around the world require volumes of supporting documentation, much of which needs to be translated to facilitate sales.

A big problem in translation is ambiguity both in the structure of sentences and in vocabulary. Words often have multiple meanings and functions and rarely correspond directly to words in other languages.

While people naturally make the most plausible interpretation of the words they read, computers calculate every possible rendering of a sentence and find it hard to work out which is the most reasonable.

In many instances, the same sentence may require alternative translations when repeated in different contexts. People draw on a wealth of general and contextual knowledge in understanding and translating a sentence. This is hard to model in a computer.

More problems lie in the fact that, for cultural reasons the approach to writing varies according to the language used. For example, in English the passive form is frequently used, but seems inelegant if translated directly into any of the Latin-based languages. Minutes of meetings are reported in the past tense in English, but are normally written in the

present tense in French. Translation involves more than producing equivalent sentences in another language. Paragraphs or whole sections may need to be replaced. How a computer may understand a text is a matter for philosophical debate. But a model of understanding can be simulated, drawing on areas such as artificial intelligence and linguistics.

Progress in research is being made for specific translation problems within limited and specialised texts. But a higher order of complexity is faced when combining and scaling up prototype solutions to address a broader range of texts.

Commercial MT systems are actively being used already. Surveys by the International Association for Machine Translation indicate that the number of words translated annually runs to hundreds of millions and is growing. Companies in manufacturing, electronics, software and other sectors are using automated translation to support their products internally.

MT is also widely used in the European Commission and in the US defence department.

A big problem in translation is ambiguity both in the structure of sentences and in vocabulary. Words often have multiple meanings and functions and rarely correspond directly to words in other languages.

While people naturally make the most plausible interpretation of the words they read, computers calculate every possible rendering of a sentence and find it hard to work out which is the most reasonable.

Technical documentation is an appropriate target for translation by computer. Often dry and dull, and requiring scientific or technical competence, texts may be long, difficult and unrewarding for human translators. Terminological consistency is a serious problem, particularly if the job is split between a number of translators.

Most sentences in technical documents are straightforward enough not to catch computers out, and computers are good at using consistent terminology.

They are also fast and inexpensive, so long as the text they generate is good enough to avoid excessive reworking in the revision process.

Most of all, technical documentation is voluminous. This offers considerable economies of scale. As John Hutchins of the University of East Anglia notes: "The market for the translation of technical documentation already outstrips the availability of human translators."

The need for the assistance of computers is clear.

The leading established MT systems, such as Metal, System and Logos, cannot be bought off the shelf and plugged in. They need to be attuned to the user's application and a team of linguists is required to maintain the system's dictionaries and database of translation rules.

A service sector is emerging. Translation agencies are taking on the work of polishing up the output from MT systems. This work is often outsourced, and MT specialists or developers may offer to operate and maintain systems for corporate users.

Translation agencies such as Mendeis in Brussels and Gecap in Munich offer entire translation services based on MT and geared to specific subject matter. At the other end of the scale, inexpensive translation software packages for desktop computers are readily available.

While these products do not offer the highest quality, they have attracted a sizeable user base due to their low cost – prices range from less than £100 – and the fact that they are easy to install and use on standard office or home computers.

Complex technical products traded around the world require volumes of supporting documentation, much of which needs to be translated

Minimum wage not factor in job cuts

From Mr Ian McCartney MP.

Sir. Your article, "Coats Viyella to lose 2,700 jobs in £50m shake-up" (April 15), speculates on the reasons for the company's restructuring, and states: "The prospect of a Labour government introducing a minimum wage above £4 an hour is also an influence."

This is inaccurate. As you know, the next Labour government will introduce a national minimum wage at a level established by a low pay commission, on which employers, unions and independent representatives will sit.

Furthermore, the company secretary of Coats Viyella, Mr Sam Dow, has categorically informed me that our proposed minimum wage was not a factor in their decision. These job losses are the product of a restructuring within the textile industry.

Nothing more should be read into the company's decision and it is important that the Financial Times does not allow itself to be used by the Tory lie machine, which continues to support a policy of low pay or no pay.

The textile and clothing industries have been hit hard by both long-term job losses and successive recessions. Between 1989 and 1995, one in seven jobs were lost.

The sector went into recession ahead of the rest of industry and, last year, output was still 18 per cent below its pre-recession peak. The textile and clothing industries have nothing to thank the Conservative government for and would benefit greatly from the measures to support industry that are currently being proposed by Labour.

Ian McCartney, shadow employment minister, House of Commons, London SW1A 0AA, UK

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FINANCIAL TIMES MONDAY APRIL 22 1996

FINANCIAL TIMES

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Monday April 22 1996

Fault lines of nuclear safety

By inviting seven world leaders to Moscow for a meeting on nuclear security, President Boris Yeltsin has probably boosted his own chances of remaining in the Kremlin after the forthcoming elections. But it is much too early to say whether the world has been made any safer for anybody else.

The most positive single development at the nuclear security summit was Russia's unequivocal endorsement of a comprehensive test ban treaty. While China and India could still queer the pitch, and Moscow may yet insist on hard preconditions for the treaty's entry into force, the Russian announcement is a welcome boost to the chances of concluding a treaty by the autumn.

In other respects, the G7 summit was short on substance and long on worthy sentiments. At best, it refocused public attention on two of the threats which hang over us all: the risk of another nuclear accident like the Chernobyl catastrophe, and the lesser-known danger posed by the fissile material piling up at over 900 ill-policed sites in the former Soviet Union.

On Chernobyl itself, Mr Yeltsin and his guests won a fresh assurance from Ukraine's President Leonid Kuchma that he would shut the installation altogether by the year 2000. But it remains to be seen whether Kiev will be satisfied with the \$3bn which the G7 has offered as compensation.

Soviet technology

The chances of any other Chernobyl-type RBMK reactors being closed or even significantly improved look dimmer. The confidence of G7 governments in their ability to force the closure of all such reactors has receded sharply since the group endorsed that goal in 1993. Russia and some other ex-communist countries, including Slovakia, have become sceptical of western lectures on the defects of Soviet technology. They allege that western commercial interests are taking precedence over objective considerations of safety.

The west can party that objection by helping such nations rationalise their energy markets and use power more efficiently - something that benefits almost everybody. But the suspicion that individual nations are promoting

Mr Brown's tough choices

It is commonly assumed that the Labour party lost the last general election in the UK because of its commitment to higher taxes. The proposed scrapping of the income ceiling on National Insurance contributions and planned increase in the top rate of income tax played directly into Conservative hands.

Tax, however, does not tell the full story of the defeat. The voters indeed feared higher taxes but, crucially, they also believed the additional revenue would be wasted. A Labour government would not deliver a better health service or refurbished schools. Higher taxes and spending were simply the easy option, an excuse to ignore more difficult decisions about the future of the welfare state. The electorate's hard-earned money would be squandered, most probably on bribing Labour's trade union friends.

Mr Gordon Brown, the shadow chancellor, has spent most of the past four years attempting to dispel this perception. Previous spending pledges have been ditched and assurances offered that Labour has no intention of raising the tax burden on middle-income Britain. In an oft-repeated phrase, Mr Brown is determined to show that Labour can make "tough choices" about priorities, that it is prepared to cut spending as well as increase it.

Welfare state

The obvious starting point is the welfare state. The shadow chancellor has already indicated that unemployed young people who refuse to take up serious offers of work experience, further education or training should expect to have their social security benefits reduced. As he admitted last week, for too long Labour's instinct has been to compensate those in poverty through higher benefits rather than to provide them with the educational and economic opportunities needed to escape from welfare.

Now Mr Brown has also said that a Labour government might scrap the payment of child benefit for those 16 to 18 year-olds who stay on at school, at a saving of around £700m a year. The resources would instead be concentrated on providing better edu-

cation and training for the most disadvantaged.

It is right that the state should acknowledge the extra cost of bringing up children, but the present benefit already ceases to be universal at age 16. It is lost to the mothers of children who leave school. It is also clear that the benefit has done little to encourage poorer children to remain in education. Four-fifths of the children of unskilled men leave school at 16, the majority without any qualifications.

Further education

The means-tested maintenance grants paid by a handful of local authorities have proved a more cost-effective way of encouraging such children into further education. For all the squeals at Mr Brown's suggestion from the Labour left, the main beneficiaries of the present system are middle class parents, whose children are likely anyway to stay on at school. It is they who stand to lose. A point quickly grasped by Mr Peter Lilley, the secretary of state for social security.

But the middle classes cannot be immune from reform of the welfare state. The emergence from the present system of a vast swathe of un- or under-educated young people involves a heavy economic as well as social cost. Britain will not prosper unless it raises the skills of a high proportion of the workforce. As long as there is no pot of taxpayer's gold, it makes sense to distribute existing resources more equitably.

Mr Brown is promising further hard decisions before the election, notably on the future of state pension provision. More will be needed, however, if Labour is to satisfy the voters it has promised its ways. So far it has offered a vague pledge not to raise the tax burden on the middle classes, has rashly promised to reduce VAT on domestic fuel and has floated the idea of a lower starting rate of income tax. But great uncertainty still surrounds its attitude to the higher rate of income tax and the extent to which it might make the whole tax system more progressive. Mr Brown will soon have to confront tough choices about tax as well as spending.

COMMENT & ANALYSIS

The price of nationalism

James Buxton explains why many Scottish businesses fear devolution could mean more taxation as well as more representation

Mr George Robertson, who is likely to become secretary of state for Scotland if Labour wins the next UK general election, says he believes passionately that the Scottish parliament which the party is proposing to set up in Edinburgh will "stimulate and revitalise business".

But so far he has had a difficult time persuading senior members of the Scottish business community that a Scottish parliament would be to their advantage. Some see it as a potential source of political instability and higher taxes.

The issue is to be debated today at a conference in Edinburgh entitled "Devolution - Good for Business?". The majority of speakers from the business community are likely to express misgivings.

Under Labour's plan the Scottish parliament would take control from Westminster of matters now administered by the Scottish Office - such as education, health, local government and agriculture. Westminster would be left with macro-economic policy, social security, defence and foreign policy.

The parliament would have 129 members, more than half elected under the first-past-the-post system, but topped up with members elected from party lists to give a measure of proportional representation. It would be funded, as the Scottish Office is now, through a block grant from the Treasury, but it would also have the power to "vary" the basic rate of income tax in Scotland by 3p in the pound.

As Labour and the Liberal Democrats see it, a Scottish parliament would bring the running of Scotland closer to the people. The Scottish Office is now in the hands of the ruling Conservative party - which commands only 12 per cent support in Scottish opinion polls.

"No company would be run in this way," Mr Robertson told a business audience recently. "If decentralisation and devolution to local units is the way to a business efficient, why should it not be the same in running the country?"

Decentralisation has some appeal in the Scottish business community.

Last year a survey by the Scottish chambers of commerce found

most respondents favourable or at

least neutral towards a shift of

decision-making from Whitehall to

Scotland, and two thirds either sup-

ported or were neutral towards setting up a "Scottish" legislature. But

less than a third said they would

welcome one with tax-raising powers.

When the Institute of Directors in Scotland recently consulted its members, some of them said Scotland could benefit from a parliament if it approved legislation relevant to Scotland's needs more speedily than Westminster. Others pointed to the economic benefit that Edinburgh would gain as a centre of political power.

But the predominant conclusion was negative: institute members feared that a Scottish parliament would distort the UK's single market by imposing higher taxes and

different business legislation to

England. Aware that most Scots

had voted over the past 40 years for

parties backing higher public

expenditure, they felt this would

inevitably mean that the parliament would raise taxes.

"We need devolution like we need a hole in the head," is the private verdict of one senior Scottish businessman. He considers a Scottish assembly to be a fad of romantics, not of "people who have to earn a living or pay a wage cheque".

Lord Weir, chairman of Glasgow-



based Weir Group, a big engineering company, is a Scot and a staunch upholder of the union of the United Kingdom. His role at today's conference is to outline why devolution is bad for Scottish business.

"The assumption people make," he says, "is that nothing else will change after devolution and things like our relationship with England will just carry on as before. But it won't be like that. At the very least it will precipitate debate about other changes, and may even lead to such changes."

He is thinking of issues such as the over-representation of Scotland at Westminster - the fact that Scotland merits about 57 MPs at a population basis but has 72; and the West Lothian question, raised in the 1970s devolution struggle by Mr Tam Dalyell, then Labour MP for West Lothian, who asked why, after devolution, Scottish MPs at Westminster would be able to vote on education in England while English MPs would not be able to vote on education in Scotland.

Devolution will also expose, Lord Weir says, the fact that identifiable public expenditure per head is 21 per cent higher in Scotland than in England, and substantially above that in the north of England, which has much higher unemployment.

The Labour party firmly rejects contemplating any change in the way Scotland is represented at

Westminster or in the sharing out of public expenditure among the regions. But Lord Weir believes that "these issues will not go away or be settled quickly". As a result, he says, "devolution will be unstable and cause uncertainty, and uncertainty is very bad for business".

A dividing line in attitudes to devolution can be discerned between Scottish companies whose activities are largely confined to Scotland, and those such as Weir Group and the financial institutions which operate all over the UK. Companies in the latter category have channels of communication to the British establishment which they do not need to supplement with a body in Edinburgh.

Mr John Mackenzie runs an electrical contracting business in Edinburgh which deals mainly with companies headquartered in England. He is afraid that "the more we emphasise how different we are, the more we risk stirring up the English and being seen as turbulent Scots".

He wonders whether many Scots realise that they probably have a greater influence in the UK than their share of the UK's population entitles them to. That incudes disproportionately large representation on such bodies as industry-wide training committees and academic research institutes. All this could be threatened if Scotland pulled away.

However, that attitude will be rejected at today's conference by Mr Nigel Smith, who runs a Glasgow engineering company. He believes devolution for Scotland will swiftly be followed by the setting up of regional assemblies in northeast England and elsewhere, though apart from Wales this is not in Labour's plans. This would diminish the lopsidedness of devolution to Scotland.

Mr Smith also challenges the Scottish business community's opposition to the Scottish parliament having tax-raising powers. Such powers would help "concentrate the minds of politicians about just how important a particular piece of expenditure really is". Labour's Mr Robertson is highly sensitive on the issue, possibly because of the Conservatives' almost daily attacks on what they call the "tartan tax".

"A power is not a tax," he says, "and a governing Scottish administration would be very cautious before thinking of using even part of that power." He believes the parties in a Scottish parliament will state in advance of elections to it whether they intended to use the power. Labour has no plans to use it, he says.

Labour has also said the assembly would have no powers to alter corporate taxation. But the Scottish financial community of banks, life

assurance companies and fund managers is extremely worried about the proposed tax powers.

The main concern of Financial Enterprise (SFE), the trade body for the sector, is how a Scottish assembly would apply any income tax surcharge to unearned income such as interest and dividends, which are taxed at source. People with money in Scottish bank accounts could end up paying more tax than those with English banks.

"Spokesmen on the devolution side have made reassuring noises, but the tax question is still something of a black hole which needs to be clarified, and quickly," says Mr Grant Baird, chief executive of SFE, who is addressing the conference.

Scottish life assurance companies, which do about 85 per cent of their business in England, are afraid that even if the political parties promise not to levy any tax now, their English competitors could say to potential customers: "Why put your money with a Scottish company over a period of 20 to 25 years when the tax raising powers could be fanned in five years' time?"

Fearful of that danger, some Scottish life companies warned before the 1992 general election that they might have to move their domicile to England. That is just one of the questions raised by devolution that are likely to be debated even more intensely if a Labour government comes to power.

Financial Times

100 years ago

Competition from Japan The industrial development of Japan is going on apace, and the amount of fresh capital invested in new and old enterprises including railways and banks

from January, 1895, to the beginning of this year is estimated in a native paper at not far short of 500,000,000 yen. New concerns absorbed most of the capital subscribed, and the current year has started with quite a boom in the Japanese company world. It appears that both Australia and California are beginning to get anxious about the industrial competition of Japan, and the Californians are about to make representations in Congress on the subject. But Japan can hardly be regarded yet as a serious competitor in the export field.

Electrical standards

In the House of Commons yesterday Colonel Mellor asked the President of the Board of Trade whether the Board could offer the same facilities for testing and checking electrical standards as is given by the German Government with so much advantage to the German manufacturers of electrical apparatus. Mr. Ritchie said the Board of Trade had caused new denominations and standards for the measurement of electricity to be made and verified.

OBSERVER

One byte short of mega

perhaps he simply has more money than megabytes.

Room on top

■ Japan's trade diplomats were in mischievous mood at talks this weekend in Kobe between the US, Japan, the European Union and Canada.

They had a double-edged welcome in store for Charlene Barshefsky, the newly-appointed acting US trade representative, who turned up to Kobe to give her maiden performance at an international meeting.

Japan's ministry of international trade and industry has never forgotten how the US last year threatened Japan with unilateral economic sanctions under section 301 of US trade law, in the dispute over access to the Japanese car market.

So when Barshefsky's delegation turned up to the meeting hall in Kobe, they were politely shown to their quarters in - yes you guessed it - Room 301.

Commercial's former chairman, Panayotis Pouli, was sacked two months ago in a shake-up at state banks ordered by the new prime minister, Costas Simitis.

Pouli's strategy for expansion, which included hiring hundreds of new staff, increasing the bank's exposure to Greek shipping companies and setting up a \$100m venture capital subsidiary, was overly aggressive, according to former colleagues.

The new chairman, Dimitris Georgoutsakos, acquired a reputation for caution while serving on Greece's capital markets committee, the watchdog for the Athens stock exchange.

Among other things, Georgoutsakos has been taking a close look at Commercial's provisions for doubtful debts.

Bankers at Commercial are now suggesting Pouli's optimistic forecast that 1995 profits would amount to some Dr55m (\$187m) may have to be cut by half.

Peer pressure

■ When the UK House of Lords debates Hong Kong this week it will have the benefit of advice from two of the territory's tougher women politicians. One is Christine Loh, the democracy campaigner who once threatened to chain herself to the Legislative Council building when China takes over, only to change her mind when she realised it would be

impossible to go to the bathroom.

The other is Margaret Ng, who represents the legal profession in LegCo. Both were in London at the weekend, lobbying their lordships. They are worried about China's plan to scrap the existing LegCo. Their fear is that China may deploy a provisional body to pass laws undermining freedoms in Hong Kong, forcing out of politics those it doesn't like. People like Ng, a precise lawyer, who is hardly a ranting rabble-rouser, will find themselves in a new role. "They say I am a dissident, but I thought I was a conservative," she says. Loh says she is also concerned by China's request for air-time on government-owned Hong Kong television and radio. But she admits that any Chinese broadcast would at least initially enjoy high ratings: "We would be very interested to see what sort of crap they come up with," she says dismissively.

Logged-off

■ Slapped wrists for the authoritative French organ *Le Monde*. The association for the respect of the French language has criticised an article it carried on measures to protect the use of French - which made a reference to a "CD-ROM" computer disk. The correct phrase, the association argued, should be a "DOC" - a disque optique compact. At least it's shorter.



FINANCIAL TIMES

COMPANIES & MARKETS

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BRITAIN'S INTERNATIONAL TRUCK MANUFACTURER

Monday April 22 1996

US store loss pushes Isetan into first deficit since 1961

By Emiko Terazono in Tokyo

Isetan, the Japanese retailer, said it would fall into the red for the 12 months ended March for the first time in 35 years, because of losses resulting from the bankruptcy of its partner, Barney's of New York.

The department store operator said it would post an unconsolidated net loss of Y31.8bn (\$297m) - its first since listing in 1961 - because of write-offs of its loans to Barney's, whose Chapter 11 proceedings began in January.

The retailer tied up with Barney's in 1989 in an agreement to help the US store's domestic expansion in return for transfer of product development and other retailing expertise. Isetan claims to have provided the New York retailer with Y61.8bn in investments and loans.

A dispute over the tie-up agreement erupted when Isetan refused to give up ownership of the Barney's stores in the US if it helped finance. The sides are locked in litigation, with Barney's filing a suit for \$50m against Isetan and the Japanese retailer countering with a \$168m lawsuit against Barney's.

Isetan will write off Y30.7bn in loan losses to the Barney's group, and Y3.8bn in valuation losses on its stock holdings of Isetan's wholly owned US subsidiary.

Despite the loss, the company will maintain its annual dividend of Y10 per share while its board members will forego bonuses.

Official earnings for the year to March are due to be released next month, but Isetan said unconsolidated recurring profits rose 11.5 per cent to Y7.1bn and sales increased 0.9 per cent to Y15bn.

On a consolidated basis, the company will post a net loss of Y31.8bn, despite a net profit of Y2.5bn. Sales are expected to rise 2.4 per cent to Y66.5bn on a 1.4 per cent decline in pre-tax profits of Y7.2bn.

Other Japanese high street retailers released mixed results on Friday as those which aggressively cut costs saw a sharp profit rise while some continued to struggle with the effects of the Kobe earthquake which hit the western city in January last year.

Rationalisation helped Mitsukoshi, the country's most prestigious department store, report a 50.8 per cent rise in non-consolidated recurring profits for the year to February to Y5.6bn. Sales fell 1.4 per cent to Y75.6bn. Net profits soared 91.1 per cent to Y2bn.

But Sogo, a department store operator based in western Japan, reported losses for the first time in 36 years, because of the effects of earthquake damage. It reported unconsolidated recurring losses of Y8.3bn for the 12 months to February against a profit of Y1.5bn in the previous year.

Daimaru and Takashimaya results, Page 27

UK generator poised to acquire power distributor

By Patrick Harverson in London

National Power is expected to announce today an agreed £1.6bn (\$1.95bn) acquisition of Southern Electric, the UK regional electricity company, in a move the generator hopes will bolster its defences against a likely hostile takeover bid from Southern Company, the US utility.

National Power is also believed to be considering returning some of the money it will receive from the £1.7bn sale of three power stations to Hanson, the UK conglomerate, to shareholders via a special or enhanced dividend or a buy-back. The sale of the stations was confirmed late on Friday.

In another development, National Power is on the verge of spending \$350m on acquiring generating capacity in Pakistan and the US. The group believes the deals will underpin the success of its interna-

By John Riddings in Hong Kong

Allianz's plans to invest \$500m in Asia-Pacific equity markets by early 1998, following the setting up of a Hong Kong asset management arm, marks a strategic expansion in the region and a vote of confidence in the territory's prospects.

According to Dr Henning Schulte-Noelle, chairman of the German insurer.

Speaking after the launch of the Hong Kong operation, Dr Schulte-Noelle said that the move reflected the strong

growth prospects of Asia-Pacific economies and the company's policy of diversifying investments. He cited Hong Kong's handing over to China next year as a consideration, but not a serious concern.

"Our move to Hong Kong was a deliberate decision to demonstrate our confidence in the stability and prosperity of financial services markets of the far east and Hong Kong in particular," said Dr Schulte-

Noelle. "China has an important self interest in making sure Hong Kong remains a dynamic financial centre," he added.

The Allianz chairman also expressed optimism about winning Chinese approval for an insurance licence. "There are a lot of indications that we are in a good position," said Dr Schulte-Noelle, hinting that he expected to be given the go-ahead this year.

Allianz has already invested

about \$250m in Asia-Pacific markets. A further \$250m, drawn from the group's European and US insurance subsidiaries, is to be allocated to the region within the next few years.

"By 2000 I would not be surprised if we had \$1bn invested in the region," said the Allianz chief.

Hong Kong was selected as the regional base for fund management because of the liquidity of the market, according to

cast. "It is our goal to raise the premiums we generate here from the current DM200m (\$134m) to more than DM300m by the year 2000," said Dr Schulte-Noelle.

With regard to China, the Allianz chairman said that he had been encouraged by meetings with senior government officials during recent months.

The Hong Kong operation follows other steps to develop the group's regional activities. Earlier this year, Allianz set up a regional insurance head office in Singapore with the aim of managing the strong

growth in business that is fore-

cast. "It is our goal to raise the premiums we generate here from the current DM200m (\$134m) to more than DM300m by the year 2000," said Dr Schulte-Noelle.

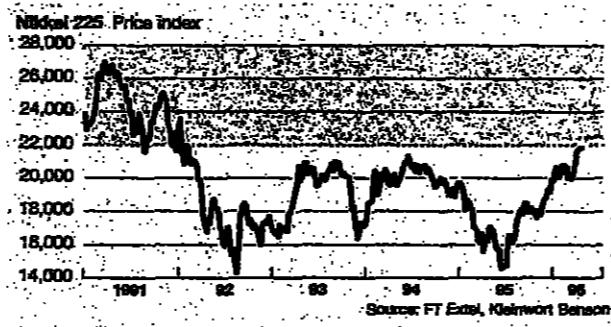
With regard to China, the Allianz chairman said that he had been encouraged by meetings with senior government officials during recent months.

Several foreign insurance companies are seeking licences to do business in China, but access has so far been limited to two groups, AIG of the US and Japan's Tokio Marine and Fire.

Japan's leading stocks are poised below the elusive 22,000 mark

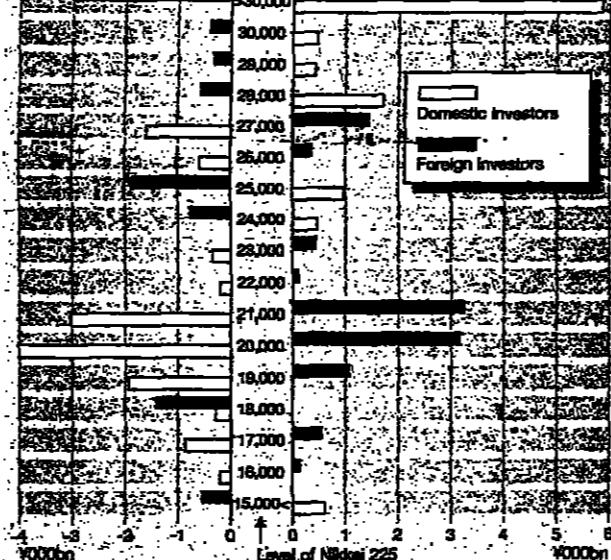
Nikkei teeters on the edge of a breakthrough

Bubble reputation



Source: FT East, Kidder Peabody

Net sales and purchases of equities at different Nikkei levels (1985-95)



This week it is expected to renew its attack. Will it succeed?

The same factor that suggests it might is that in recent weeks foreign investors have been joined on their end of the tug-of-war by growing numbers

of which Y1,000bn is expected to flow into equities.

But this extra impetus to the market may not endure. "Buying by pension funds is not going to last forever and expectations of their buying already seems to have been discounted

The index is in a tug-of-war between foreign buying and Japanese selling

of domestic buyers. This is the first time rule changes handed more of the country's pension funds over to investment advisers, away from the cautious life assure, which have been eschewing equities. Analysts estimate that this deregulation has freed about Y5,000bn (\$47bn),

into share prices," says a fund manager at Tokio Marine and Fire Insurance, the country's largest non-life insurer. Investors coming into the market now are unlikely to see short-term gains, he says.

Instead, the bulls point to a more solid foundation for the proposition that the market

can break through the barrier - the real reason behind the optimism in the stock market. Japan's strengthening economic recovery. At the end of last year gross domestic product grew at its fastest rate for five years and the momentum seems to have continued. This should translate into a healthier profits picture than the country has seen for half a decade.

Japanese companies will announce their annual results next month and reveal forecasts for the year to next March. "We are predicting an upward revision of pre-tax earnings for the current year from the previous consensus of 15 to 20 per cent growth to a 25 to 30 per cent year-on-year rise. This should push share prices higher," says Mr Tetsuro Nomura at Dai-Ichi Life.

Certainly, if the economy were to return to anything like normal rates of growth, the Nikkei's continuing rise might be justified.

Yet the weight of domestic opinion still seems cautious for a number of reasons. The translation of earnings into higher prices may not be so easy. Valuations are looking stretched again, even discounting this rate of profits growth.

And there are negatives that could spoil the picture completely. Banks, which account for more than a quarter of the total index, are about to report their biggest losses ever, and the recent data indicating weakness in US semiconductor demand could affect Japanese high-technology companies, triggering a downward revision in overall earnings for the manufacturing sector.

The other imponderable is interest rates. The apparent bottoming out of US rates poses a risk for Japanese equities. Among foreign investors, US mutual funds have bought more than \$20bn a month. Indeed, Tokyo was badly shaken by uncertainty over the course of the US economy when the release of unexpectedly high employment figures jolted Wall Street last month. If Japanese interest rates were to rise too, equities would start to look expensive again.

These concerns explain why the market has not yet broken through its invisible barrier. Japanese fund managers were so badly burned on the way down from the bubble highs of six years ago that their attitude is still one of caution. It may yet take another great haul from outsiders before they can be persuaded to shift.

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COMPANIES AND FINANCE: UK

The enigma at the top of C&W

Alan Cane analyses the man who may create the world's first global telecoms operator

An explosion of interviews and features have made Sir Peter Bonfield, British Telecommunications' new chief executive, the business equivalent of a household name. His counterpart at Cable and Wireless, Mr Rod Olsen, however, remains something of an enigma.

The details of a merger between the two companies, if one should come about, are being thrashed out by these two individuals, which makes Olsen's experience and negotiating skills of more than passing interest.

He is no stranger to the City where, as C&W finance director since 1987, he was recognised as a competent and conservative operator. Since November last year when C&W's former chairman and chief executive, Lord Young of Graffham and Mr James Ross, were bundled out after an embarrassing public disagreement, Mr Olsen has been acting chief executive, responsible not only for restoring stability but also for negotiations which could lead to the formation of the world's first truly global telecoms operator.

Five months is too little time to assess Olsen's mettle as chief executives, but observers give guarded approval to his

performance. One analyst said he was "surprisingly impressed," while another pointed to the similarities of style and personality between Olsen and Bonfield: "There is an affinity between the two which augurs well for the merger talks," he said.

Olsen is forbidden by Take-over Panel rules from discussing the proposed merger. He is, however, prepared to talk about the management changes he has overseen at C&W since the departure of Young and Ross: "We have got away from a management by consensus approach, which was very much the style under James Ross, to management by accountability. Many of the committees have been cut away and much of the travelling. We use video-conferencing to talk to the US and Hong Kong."

He also made people aware that 124 Theobalds Road [C&W's London headquarters] actually exists as more than a morass of minutes of committees and meetings."

He says that clarifying the goals and objectives of the company was an important step forward. The company is now driven in its chosen markets by five

principles: the delivery of quality service at a competitive price, the provision of innovative solutions, the deployment of leading-edge technology, exploitation of the group's global presence and development of its partnering skills."

Olsen says: "I believe I can go to almost any senior manager and have a conversation about what he or she is doing in relation to these principles. There is a cascade that runs right down the group from this high level to individual business units and individual strategy and tactics; it extends to performance levels and bonuses."

Olsen, 50, was born and brought up in New Zealand where he turned his back on the family farming business in favour of book-keeping.

A broad-based business studies course at Victoria University in Wellington led to a job with the accountancy firm then called Peat Marwick Mitchell. It sent him to Hong Kong where he developed an enthusiasm for the eastern way of doing business. "You can make business decisions very quickly and there is no sense of envy at what other achieve."

He joined C&W in 1977. In 1986 he was appointed to the



Rod Olsen: 'We have got away from management by consensus'

board as director, Far East. He returned to London as finance director after extracting promises that the job would entail as much strategy as number crunching.

It is this, perhaps, which explains his slight irritation over suggestions that C&W is "rudderless" while it seeks a permanent chief executive. He has been effectively chief operating officer before the Young and Ross debacle.

Olsen makes it clear that he believes C&W is right to cast its net wide in seeking a permanent chief executive, but he is equally clearly enjoying the role: "If we cannot find the right person, although I believe that is highly unlikely, I would be more than happy to carry on doing what I'm doing now."

■ **Eurotunnel likely to**

hail increase in traffic

By Geoff Dyer

Eurotunnel, the Anglo-French operator of the Channel tunnel, will attempt to use the publication of its annual results today to emphasise the success of its passenger and freight operations.

But with analysts expecting losses of anywhere between £700m and £900m for 1995, attention will inevitably fall on the disastrous financial position. In particular, Sir Alastair Morton, co-chairman, will be under pressure to explain why refinancing talks with the group's 225 banks have stalled.

Leading banks in the syndicate report the talks are deadlocked while they await detailed long-term revenue forecasts. The appointment in February

by a French court of two mediators has also held up progress. Eurotunnel, however, insists that the talks are still taking place with the steering group of banks - the six banks which are leading the negotiations for the syndicate.

However, the slow progress of the talks can be seen by the fact that the company has not updated the instructing group of banks - the 25 biggest banks in the syndicate and the next layer in the negotiations - for nearly two months.

Meanwhile, Eurotunnel's recent traffic numbers have impressed analysts. Last month it carried twice as many cars and trucks as in March last year, and achieved a record of 50,000 passengers on the last Saturday of the month.

McCormack to set up branded golf courses

By Tim Dickson

Mr Mark McCormack, promoter and manager of sports events and personalities, has signalled his ambition to develop a portfolio of branded European golf courses.

McCormack, 66, founder of the IMG group, is making his UK stock market debut with a reverse takeover of the struggling property company Union Square and the acquisition for £2.1m of two golf courses in the Algarve.

Behind the deals lies a belief that the European golf property sector is ripe for consolidation and the market for televised golf in Europe is under-exploited.

Companies acquired or completed by the newly-structured group will be capable of hosting televised tournaments, a business in which Mr McCormack is well placed to participate through Trans World International, IMG's television division.

Under the terms of the deal, PGA European Tour Golf Courses (IMG) - a company jointly owned by Mr McCormack's IMG group and the professional golfers who play on the annual PGA European tour - is to be acquired by Union Square for £14.77m through the issue of shares amounting to 33.25 per cent of the enlarged capital. IMG and Tour Properties have agreed to subscribe for additional shares which will take their combined stake to 39 per cent.

Mr Richard Thompson, whose family interests will control 23 per cent of the enlarged capital after an institutional placing of £10m shares, will remain as non-executive chairman and Mr McCormack will join the board as a non-executive director. Mr Sean Kelly, who is leaving IMG after 12 years, will be the new managing director.

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NEWS DIGEST

Ennemix defends 50p valuation

Ennemix, the aggregates company rejecting the hostile bid by Redland, has defended the report that supported a valuation of its assets as 50p a share, and rejected Redland's final bid of 35p a share.

The Redland bid values Ennemix at about £2.4m but the Ennemix board told shareholders over the weekend: "Redland's final bid grossly undervalues your company, representing as it does a 30 per cent discount to the real value."

Ennemix directors, who hold 27 per cent of the company, have said they will not accept the bid. They asked Smiths Gore, the chartered surveyors, to value Ennemix's minerals, land and related buildings and Redland has questioned the value of 50p a share claimed for its assets by Ennemix as a result of that report.

Mr Gerald Bewick, Ennemix chairman, has written to shareholders saying: "Smiths Gore have written to your board firmly rebuffing those assertions and confirming the net asset value of 50p."

He told them that Ennemix's 6.3m tonnes of consented reserves, including landfill potential, were given a preliminary indicative value by Redland of a mere £2.3m but Smiths Gore's red book valuation valued the same assets at £5.83m.

He also told them that Mr Timothy Ross, formerly chief executive of George Wimpey's minerals division, would be joining the board as a non-executive director.

MBOs outperform

Management buy-outs that have floated have outperformed the FTSE-A All Share index by 25 per cent, according to a report published yesterday. The report by the Centre for Management Buy-Out Research at Nottingham University said MBOs floated last year have risen by 25 per cent. The CMBOR index has increased by 118.7 per cent since December 1990, while the Hoare Govett Smaller Companies index has increased by 79 per cent.

The number of MBO flotation millionaires has declined from 75 to 55, reflecting a sharp decline in the importance of flotation as a means of giving employees the opportunity to own shares.

Just over a quarter of executive directors, a similar proportion to 1994, had share stakes worth less than £250,000 on flotation. The 28 MBO floats during 1995 is a significant fall on the 49 of the previous year and the 36 of 1993. CMBOR quarterly review, Deloitte & Touche Corporate Finance at the University of Nottingham.

Bank chairman received £1m

The salary and other benefits of Mr John Gray, chairman of Hongkong Bank, increased from £880,000 to £1m last year, according to the annual report of HSBC Holdings. HSBC said Mr Gray, was based in Hong Kong and his remuneration package included housing and other expatriate benefits in kind. He retires in May. Total emoluments of Sir William Purves, HSBC chairman, increased from £633,000 to £680,000. HSBC reported pre-tax profits of £3.67bn last year, up from £3.165bn in 1994.

In brief

■ **FORTUNE OIL:** Strong trading helped Fortune Oil more than double profit after tax from £1.06m to £2.17m on turnover up 57 per cent to £53m for 1995. The Hong Kong-based group, which has exploration and crude oil and gas production interests, saw trading division increase profit 52 per cent to £2.4m on revenues 50 per cent higher at £27.2m.

WEEKEND SHARE WATCH

A digest of Saturday and Sunday comment on UK companies

■ Financial analyst Terry Smith has launched a "hard-hitting" attack on Carlton Communications over its treatment of goodwill after a string of acquisitions, according to the Sunday Times.

Yesterday Mr Smith said the revised edition of his bestselling book, Accounting for Growth, to be published in July, would suggest that if goodwill written-off is added back, the media group's average return on capital last year would have been 8.5 per cent, not 40 per cent. He said he was not criticising Carlton's accounting practices per se -

though their returns were not going to feed rumours nor engage in speculation."

■ Marks & Spencer yesterday dismissed a report in Sunday Business that it was holding crisis meetings after customer rejection of the summer women's wear collection. Mr Brian Hudspith of M&S said that there would be meetings, as the group reacted as normal to changing circumstances: "Some seasons are not so good - our reaction is the same." But to use the word crisis was "artistic licence". The group would be happy to be judged on its record when the results were reported next month.

■ Harrods, the Knightsbridge store, is considering flotation to a valuation of more than £1bn, according to the Sunday Times. Mr Michael Cole, public relations director, said yesterday

that the group was "not going to feed rumours nor engage in speculation."

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■ WH Smith is planning a £200m rights issue as part of a restructuring programme following the strategic review by Mr Bill Cockburn, the new chief executive, according to Sunday Business. The group refused to comment yesterday on what it called market rumour. Last week it sold its business supplies division for £142m, reducing gearing to 5 per cent, and analysts commented that a rights issue would now prove unlikely.

RUSSIAN FEDERATION
Tender for the Sale of Shares in
INDUSTRIAL ENTERPRISES
in the Leningrad Oblast (District)

Key to company description: F01 - sale by the Privatization Fund, F02 - sale by the Fund following determination of conditions for privatization, F03 - sale by company owner(s) with advisory services from TOB and the Fund, company name (in brackets: available shareholding), address, object of business, comments, turnover 1995, no. of employees 1995/96

CHEMICAL INDUSTRY

F01-01 AOOT Leningradskii Works (15% state-owned, purchase of privatized shares possible)
188960 Leningradskii, Vyborg District
Manufacture of polyethylene film and packaging material, adhesive labels and tape
Rbl. M: 13,765; 418

F02-01 Kirishi Biochemical Works (100% state-owned)
187110 Kirishi
Production of alcoholic drinks (spirits)
Other production facilities exist, but are currently not in use
Rbl. M: 43,000; 800

F02-02 Druzhnaya Gorka Laboratory Equipment (100% state-owned)
188233 Druzhnaya Gorka, Gatchina District
Manufacture of laboratory equipment, glass, quartz
Rbl. M: 11,810; 640

F02-03 LOGP Lenpharm (100% state-owned)
198320 St. Petersburg
Wholesale trader in pharmaceuticals and optical glass
Rbl. M: 53,400; 203

ENGINEERING, AUTOMOTIVE AND CONSTRUCTION INDUSTRIES

F01-02 AOOT Tolmatshev-ShBIMK (15% state-owned, purchase of privatized shares possible)
188262 Tolmatshev, Luga District
Manufacture of reinforced concrete and metalwork
Rbl. M: 24,793; 410

F01-03 Georgiotehnika (33% state-owned, purchase of privatized shares possible)
188654 Stekiyannii, Vsevolosk District
Manufacture of geological equipment, drilling equipment, water pumps, drinking water pumps
Rbl. M: 2,508; 145

F01-04 Tosno Bus Factory (15% state-owned, purchase of privatized shares possible)
187024 Novolissino, Tosno District
Manufacture and repair of public transport vehicles and lorries
Market leader within the Oblast
Rbl. M: 16,712; 431

F01-05 AOOT Lakond (50% state-owned)
187416 Novaya Ladoga, Volchov District
Manufacture of various types of electrical condensers
Rbl. M: 5,490; 500

F03-01 AOOT Elektromash (shares in the privatized company)
188900 Vyborg
Manufacture of electrical equipment, transformers, electrical instruments, equipment for community services e.g. street cleaning machines
Rbl. M: 2,273; 174

F03-02 AOOT Lushki GOK (shares in the privatized company)
188500 Luga
Production of processed quartz sand
Market leader within the Oblast
Rbl. M: 4,611; 50

F03-03 AOOT S.G. Roschal Paper Machinery Works (shares in the privatized company)
188350 Gatchina
Manufacture of chopping machines, disc and pulsation mills for the wood processing, cellulose and paper industries
Rbl. M: 2,906; 296

F02-04 Sputnik Pig Farm (100% state-owned)
188671 Rechiia, Vysevolosk District
Production and processing of pork meat
Rbl. M: 4,386; 139

F03-04 AOOT Lodeinoe LKPH (shares in the privatized company)
187710 Lodeinoe Polye
Production of processed and unprocessed timber
Rbl. M: 6,916; 532

F03-05 AOOT Kirschi Refrigeration Plant (shares in the privatized company)
187710 Kirschi
Food retail and wholesale trading, refrigeration, ice production
Rbl. M: 7,735; 207

F03-06 AOOT Slenzi Conserve Factory (shares in the privatized company)
188540 Slenzi
Manufacture of food preserves and bottling of mineral water from own source
Rbl. M: 1,555; 55

CONDITIONS OF THE TENDER

1. In accordance with its set task of selling state-owned shareholdings as well as those of owners of privatized companies, the Leningrad Regional Property Fund, which has set up a commission for this tender, intends to offer shareholdings in the named enterprises for sale by tender in accordance with Russian law.

2. The enterprises in which shareholdings are offered for sale have been divided into three groups according to type of shareholdings, ownership rights, and deadlines for decision-making.

The enterprises in the first group are numbered F01-01 to F01-05. These enterprises have not been completely privatized. The percentage of share capital owned by the state lies between 15 - 50 %. The state shareholdings will shortly be offered for sale through privatization in accordance with Russian law. Information on the conditions for the investment tender that has already been carried out on behalf of these companies is available from the Property Fund.

The second group is made up of the enterprises numbered F02-01 to F02-04. These companies are being prepared for privatization and are currently state-owned. Bidders wishing to participate in the privatization of these enterprises are invited to submit offers to the tender commission at the Property Fund. The extent of the shareholdings to be offered and additional conditions pertaining to this tender will be determined in accordance with Russian law and in consideration of the offers received.

The third group is made up of the companies numbered F03-01 to F03-06. These enterprises are joint stock companies which have been completely privatized. These companies are prepared to transfer quantities of shares - either by means of the sale of existing shares or by issuing new shares - to the successful bidders in amounts to be mutually agreed.

3. Additional negotiations with enterprises and shareholders regarding the purchase of further shareholdings in excess of the stipulated amount are not the subject of the current tender and the bidder must carry out such negotiations separately.

4. In the case of enterprises in the third group, offers may be submitted for production units or parts of companies which can be separated from the whole. The valuation of such units or parts of companies will depend upon the extent to which the assets of the enterprise may legally be divided.

5. The tender is open to the general public, and all interested bidders are entitled to present an offer in accordance with Russian law.

6. The offers submitted by the current tenderer will be judged by the tender committee on the basis of the amount of investment to be made in accordance with the company's business concept and the accompanying investment guarantees. Both items must be included in the offer. The company concept proposed by the bidder may contain the redistribution of individual production areas or of the whole enterprise based on economic principles.

COMPANIES AND FINANCE: INTERNATIONAL

OTE sale sharpens investor appetite

By Karin Hope in Athens

The launch of OTE, Greece's state telecoms monopoly, on the Athens stock exchange last week expected to sharpen investor appetite for more large public offerings this year.

The Socialist government plans several more offerings this year but the timetable may be affected by uncertainty over meeting inflation and deficit reduction targets.

A jump in inflation, which reached 9.1 per cent in March, has slowed cuts in interest rates on government paper.

One Athens-based analyst said: "Confidence in the overall economic outlook must remain strong in order to keep up momentum for more listings."

Shares in OTE closed at Drs 320 on Friday, the first day of trading, after quickly reaching the 8 per cent ceiling on daily price movement set by stock exchange authorities.

Greek mutual funds, which had to compete for shares with international institutions during last month's public offering of 8 per cent of OTE's equity, were aggressive buyers, according to local brokers.

The shares' strong performance gives OTE a market capitalisation of Drs 720bn (St 1.1bn), four times larger than the next largest Greek stock.

OTE shares are expected to make up 10 per cent of the bourse index when it is revised next month.

CME forecasts a 27 per cent increase this year in pre-tax profits to Drs 25bn with sales up 17 per cent to Drs 15bn.

The company is expected shortly to name an adviser on setting up a mobile telephony network using the DC1000 system. Shortlisted contenders are

CS First Boston and a group led by Alpha Finance, the investment banking arm of Alpha Credit Bank, Greece's largest private bank.

OTE is looking for an international partner to take a 25 per cent equity stake in the Dr100bn project.

OTE is only the second state corporation to be floated on the Athens stock exchange, following the listing three years ago of 30 per cent of Hellenic Sugar, the monopoly sugar producer, which raised Drs 15m.

However, investors' fears that a listing of OTE's size

would swamp the Athens bourse appear to have been replaced by impatience for another large public offering.

The next corporation slated for flotation is DEP, the holding group for state-owned oil and gas producers. The state plans to raise some Drs 25bn by listing 10 per cent of the company at the end of the year.

National Bank of Greece plans a Drs 50bn rights issue this year, while plans are under way for privatising several state-controlled banks listed on the Athens bourse through capital increases.

Banamex hails start of 'return to normal'

By Daniel Dombey

in Mexico City

Banco Nacional de México (Banamex), Mexico's largest bank, last week hailed first-quarter results as "the beginning of a return to normal operating conditions".

The bank posted net income of 575m pesos (\$36m) for the first quarter, less than the 670m pesos recorded in the fourth quarter, but comparing favourably with 422m pesos in the same period last year.

Grupo Financiero Banamex-Acval (Bancac), the parent company, achieved operating profits of 751m pesos, against 623m pesos for the fourth quarter and 561m pesos for the first quarter of 1995.

The bank said that after the turbulence in the wake of the December 1994 devaluation of the peso, net interest margins, loan provisioning, and capitalisation were resuming previous levels. But Banamex is carrying out no new net lending and non-performing loans are still growing, although at diminished rates.

Analysts drew attention to the bank's policy on loan-loss provisioning, since Bancomer, Mexico's second largest bank, took a first-quarter loss to increase past-due loan provisioning to 100 per cent.

Banamex increased provisioning by 2.7bn pesos, lifting loan-loss provisions and unpegged general provisions. Reserve coverage stood at 64 per cent of past-due loans, although it said the figure would be higher if past write-offs were included.

"We estimate that to get 100 per cent reserve coverage of past-due loans, Banamex would have to put an additional 1bn pesos into loan-loss provisions," said Ms Laura Berdeja, an analyst at Santander Investment Securities.

"It is a choice between having no [shareholder] dilution and profits with comparable reserve coverage of close to 80 per cent of having 100 per cent coverage for loan-loss provisions," said Mr Luis Miguel Rodriguez, a Banamex spokesman. "We're very happy with the course we have taken."

NEWS DIGEST

Mercedes may make more cars abroad

Mercedes-Benz, the German luxury car and truck maker, could be making between 20 and 25 per cent of its cars abroad within the next 10 years compared with about 5 per cent at present. Mr Helmut Werner, chairman, said in an interview with Der Spiegel, the German news magazine, Mr Werner said the company, which is a subsidiary of Daimler-Benz, was negotiating about production in China, Korea and Vietnam.

Meanwhile, Daimler-Benz Aerospace (Dasa), another Daimler-Benz unit, said it was negotiating with several interested parties about the sale of its Dornier Luftfahrt turbo-prop aircraft business. Dasa declined to comment on a report in Der Spiegel that Fairchild Aircraft of the US was negotiating to take over Dornier's Do328 30-seater airliner.

Peter Norman, *Banca*

Austrian Airlines in the black

Austrian Airlines (AUA) reported its first operating profit in five years at Sch 61.9m (\$6.1m) for 1995 compared with a Sch 192.3m loss for 1994. Group net income leaped from Sch 9.9m to Sch 20.4m. The figures for both years were boosted by the legally required reserves reductions. Profit from financial investments contributed Sch 1.5m to net income. Turnover jumped 20.5 per cent from Sch 11.1m to Sch 13.3m because of higher passenger volumes. But average ticket prices continued to fall, and the passenger load factor edged down from 61.4 per cent to 59.7 per cent. Unit costs dropped 1.4 per cent.

Eric Frey, *Viertel*

First-quarter fall at SSAB

Weak demand and falling prices in west European steel markets hit first-quarter profits at SSAB. Scandinavia's biggest steel producer, driving pre-tax earnings down 28 per cent in the first three months from Skr 1.7bn to Skr 1.4bn (\$125m), Mr Leif Gustafsson, chief executive, expected steel consumption in western Europe to decrease during the year, reducing prices further. He said the combination of these factors with a strengthening of the Swedish krona would result in a fall in steel profit margins. Turnover in the first quarter fell from Skr 4.8bn to Skr 4.7bn, with lower prices and volumes cancelling out the effect of acquisitions.

Hugh Corratty, *Stockholm*

Japanese stores mixed

Damage caused by the Kobe earthquake hit parent current earnings at Daimaru, the Japanese stores group in 1995-96. Earnings fell 17 per cent to Y1.2bn (\$33m) on sales down 2.4 per cent to Y508.5bn. Net profits totalled Y1.1bn against losses of Y8.9bn a year earlier. For the 12 months to next February, the retailer expects recurring profits to rise 40.6 per cent to Y4.5bn on a 0.3 per cent increase in sales to Y510bn.

Emika Terazono, *Tokyo*

UBS in Amsterdam

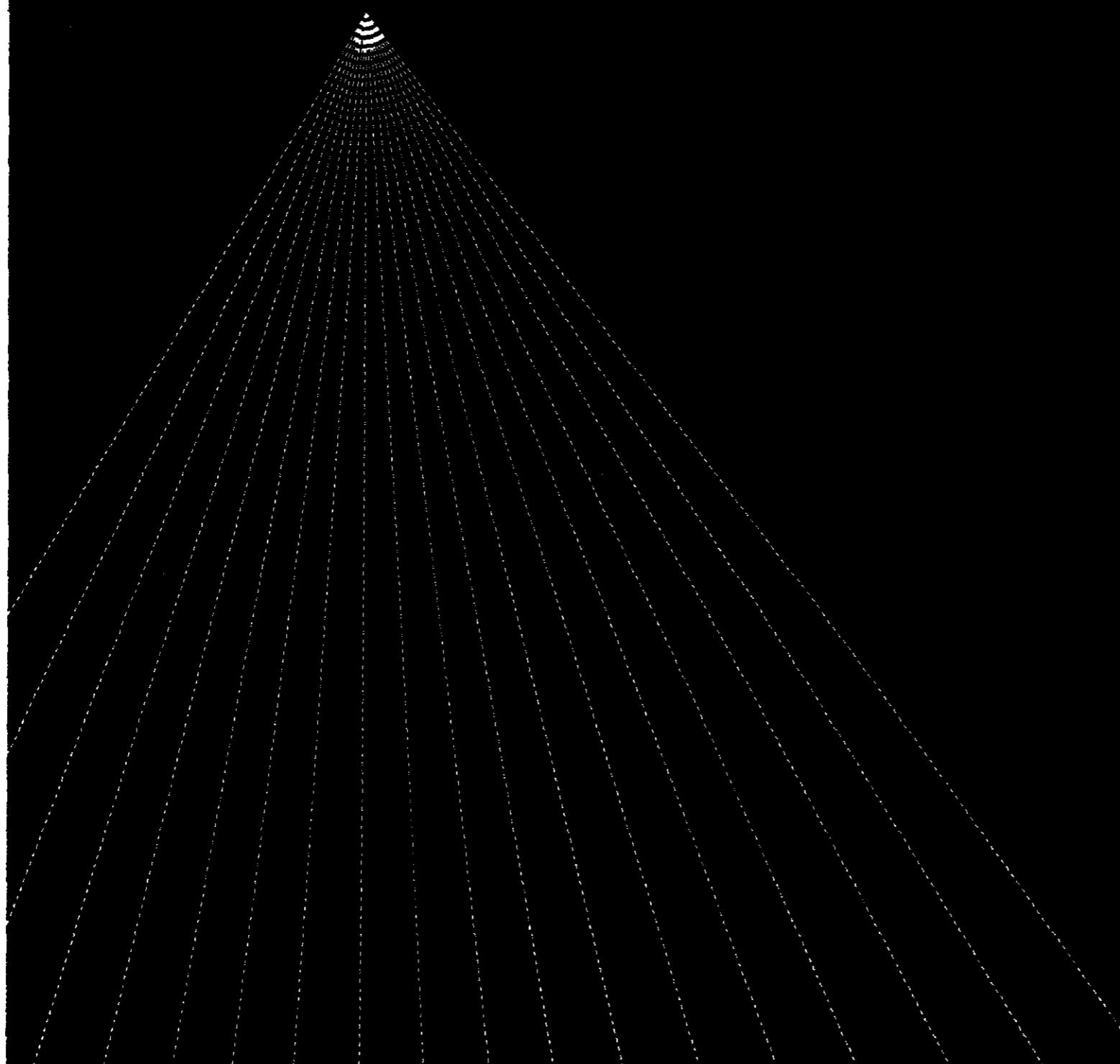
UBS Securities, the trading arm of Union Bank of Switzerland, will tomorrow become the first "remote" member to deal in equities on the Amsterdam Stock Exchange without a physical presence in the Netherlands.

George Graham, *Banking Correspondent*

Your Key Investment Bankers.

SBC Warburg
A DIVISION OF SWISS BANK CORPORATION

We research more
than 2,900 companies
worldwide. Now, how
can we help you?



KLEINWORTH BENSON SELECT FUND

Société d'Investissement à Capital Variable
Registered Office: 50 Avenue J. F. Kennedy, L-2951 Luxembourg
R.C. Luxembourg 828.38

CLASS MEETING OF KLEINWORTH BENSON
SELECT FUND - BRITISH FUND
CONVENING NOTICE

As the first class meeting convened for 26th March 1996 was not quorate, a second class meeting is to be held at which those shareholders present or represented by proxy will form a quorum.

Shareholders of Kleinwort Benson Select Fund - British Fund are kindly invited to attend a second class meeting of Kleinwort Benson Select Fund - British Fund, to be held at the offices of Banque Générale du Luxembourg, 50 avenue J. F. Kennedy, L-2951 Luxembourg, on the 8th May 1996 at 3.00 pm on the following agenda:

To approve the termination of Kleinwort Benson Select Fund - British Fund with effect 31st March 1996 or such other date as may be determined by the class meeting (the "Effective Date") and redemption of the Shares of the shareholders at a price corresponding to the Net Asset Value per Share determined on the last Valuation Day preceding the Effective Date.

Decisions shall be carried if approved by 2/3 of the shares present and/or represented at the class meeting. Shareholders may vote by proxy, which should be mailed to the Company's Transfer Agent, Banque Générale du Luxembourg, at 50 avenue J. F. Kennedy, L-2951 Luxembourg, so as to arrive no later than 3rd May 1996, or faxed by such date to Banque Générale du Luxembourg (352) 4242-6500.

In order to participate in the class meeting the holders of bearer shares must deposit their shares at the offices of Banque Générale du Luxembourg, 50, Avenue J. F. Kennedy, L-2951 Luxembourg, by no later than 5 p.m. on 3rd May 1996.

*The Board will suggest an Effective Date of 14th May 1996.

The Board of Directors

Orx Ireland Finance PLC

Yen 10,000,000,000
Fixed and Floating Rate
Guaranteed Notes 1996

The notes will bear interest at 0.87891% per annum from 22 April 1996 to 22 July 1996. Interest payable on 22 July 1996 will amount to Yen 22,317 per Yen 10,000,000 note.

Agent: Morgan Guaranty
Trust Company

JP Morgan

SWEDBANK
(Sparbanken Sverige AB)

US\$150,000,000
Undated Subordinated
Floating Rate Notes

Notes is hereby given that the notes will bear interest at 7.33524% per annum from 22 April 1996 to 22 October 1996. Interest payable on 22 October 1996 will amount to US\$372.91 per US\$10,000 note.

Agent: Morgan Guaranty
Trust Company

GEC Alsthom
and Siemens in
train venture

By Stefan Wagstyl,
Industrial Editor

GEC Alsthom, the Anglo-French engineering group, and Siemens of Germany are joining forces to market high-speed trains in Asia and other markets outside Europe and North America.

They are opening joint offices in Taipei and Beijing to co-ordinate bids for projects including the planned Beijing-Shanghai high-speed rail link.

Most of the work from any contracts won by the joint offices will go to GEC Alsthom, which has already achieved commercial success in Asia, having last year won an order for South Korea's high-speed line between Seoul and Pusan.

The joint marketing agreement, signed recently after more than six months of talks, could help rationalise resources in the very demanding market for high-speed trains, in which there are only three big international competitors. These are GEC Alsthom, a joint venture between Britain's GEC and Alsthom of France; Siemens; and a Japanese consortium including Mitsubishi Heavy Industries.

GEC Alsthom builds the TGV, France's flagship high-speed train; a partnership between Siemens and AEG, the engineering affiliate of Daimler-Benz, is responsible for the German Inter City Express; and the Mitsubishi consortium builds Japan's bullet train.

All the producers have found it difficult to sell their trains outside their home countries. GEC Alsthom has had the greatest international success,

having supplied trains to Spain as well as South Korea.

GEC Alsthom said the venture would enhance the two companies' competitiveness in markets throughout the world, particularly in Asia.

The division of work would reflect the companies' existing relative positions in Asia and other markets outside Europe and North America, said GEC Alsthom executives. In Europe and North America, the two companies plan to continue to compete with each other.

The pooling of resources is a response to the long lead times involved in high-speed train contracts, which are often preceded by negotiations lasting up to 10 years. However, success brings large orders creating years of work.

The \$2.1bn order won last year by GEC Alsthom for 48 TGV trains for the Seoul-Pusan link will not be completed until 2002. It is already preparing for possible orders for trains for a second line from Seoul to the south western port of Mokpo, which may not be built until after 2005.

However, the chances of winning a second Korean contract will be limited by the fact that under last year's agreement the company is transferring technology to a Korean consortium of the Hyundai, Daewoo and Hanjin groups. The contract also allows the Korean consortium to market trains in other Asian countries.

GEC Alsthom hopes further advances in technology will mean potential buyers may still prefer its European-made trains to those produced in South Korea.

Rothschild
to advise
Slovakia on
telecom sale

By Vincent Boland in Prague

M.N. Rothschild, the UK investment bank, has been selected by the government of Slovakia to advise on the initial phase of the country's flagship privatisation - that of Slovenske Telekomunikacie (Slovak Telecom), the state telephone operator.

Rothschild was chosen from a shortlist of four banks to advise on how the privatisation should proceed and on what regulatory and price changes need to be made.

Options include introducing a foreign strategic partner to Slovak Telecom, as the Czech and Hungarian governments have done for their state operators, or selling a stake either in an international public offering or directly to institutional investors.

The first phase of the project is being funded by the World Bank and is expected to be completed by September 30. The government will then decide which option to pursue. Officials have previously indicated that a stake of between 15 and 25 per cent of Slovak Telecom will be offered for sale, possibly early next year.

Rothschild's mandate does not extend to the second phase but it is almost certain to win that role too. It has wide experience in telecoms privatisation and advised Hungary on the sale of Matav in 1993.

Rothschild was chosen by Slovakia ahead of Deutsche Morgan Grenfell, Union Bank of Switzerland, and J.P. Morgan, which advised the Czech government on the sale of a stake in SPT Telecom last year. The bank has also secured a role in the task for Consilium, an investment banking joint venture it formed in 1994 with Ceskoslovensk Obchodni Banks, the Prague-based bank partly owned by the Slovak state.

The privatisation of Slovak Telecom is part of a \$1.5bn investment and modernisation programme for the country's telecommunications infrastructure over the next five years, which was approved by the government last December.

The aim is to increase the number of lines from 20.7 per 100 people currently to 35/100. The sale came as no surprise to analysts. MIM has been steadily winning back its "non-core" and investment interests, and there has been growing speculation that the Highlands stake could be the next to go. Mr Nick Stump, MIM chief executive, said the sale would provide extra funds for new projects, but would also allow MIM shareholders to "gain value out of MIM's investment in Highlands".

Nevertheless, independent directors of Highlands said the sale plan had been devised independently and without reference to the Highlands board.

Richard Waters, New York

Westinghouse makes provisions

Westinghouse Electric, the US industrial conglomerate in the throes of transforming itself into a media group, announced further steps aimed at putting past troubles behind it, resulting in after-tax charges of \$515m. The charge, half of which is due to accounting and other non-cash moves, will still leave Westinghouse with a net gain of \$350m to shareholders' funds for the first quarter of this year, because of the sale of its defence electronics business and the Knoll furniture company.

The actions announced on Friday include a plan to sell its environmental services business, which the company predicted would bring cash proceeds of \$300m-\$350m; a reserve to cover some old litigation issues; and three accounting changes, which between them will cause \$150m of the after-tax charge.

Richard Waters, New York

Restructuring limits Kellogg

Kellogg, the US breakfast cereal company facing the threat of a price war in its domestic market, reported a 5 per cent increase in net profit to \$206.1m in the first quarter. The company said the increase would have been 11 per cent without the continuing costs of a restructuring announced last year. Last week, Philip Morris's Post cereal subsidiary slashed prices by 20 per cent in a bid to boost market share. Kellogg has not so far responded. It has been suffering an increasing encroachment into its market by cut-price, private label cereal products. Kellogg said revenues rose 4 per cent in the latest quarter to \$1.79bn and global volume also rose 4 per cent.

Richard Tomkins, New York

MIM in Highlands Gold offer

MIM, the Queensland-based mining group, is offering to sell its 65 per cent stake in Highlands Gold, the listed gold mining and exploration company, to existing MIM shareholders at 65 cents a share. The sale would raise around A\$285m for MIM and give it a net profit of around A\$165m on the holding.

MIM shareholders will be offered one Highlands share for every five MIM shares they hold. Those who do not wish to take up the offer will be able to sell their rights on the market.

The offer is fully underwritten by ANZ McHughan. Shares in both companies had been suspended on Thursday, ahead of Friday's announcement. After the announcement, Highlands shares closed five cents lower at 65 cents, only four cents above the offer price. MIM closed four cents higher at A\$1.92.

The sale came as no surprise to analysts. MIM has been steadily winning back its "non-core" and investment interests, and there has been growing speculation that the Highlands stake could be the next to go. Mr Nick Stump, MIM chief executive, said the sale would provide extra funds for new projects, but would also allow MIM shareholders to "gain value out of MIM's investment in Highlands".

Nevertheless, independent directors of Highlands said the sale plan had been devised independently and without reference to the Highlands board.

Nikki Tsai, Sydney

The shareholders of
SANDVIK AKTIEBOLAG

are hereby called to the Annual General Meeting of the Company
to be held on Friday, May 10, 1996, at 2:00 p.m.
at Jernvallen, Sandviken, Sweden.

NOTIFICATION

Shareholders who wish to participate in the Meeting should notify the Board of Directors by mail addressed to Sandvik AB, Legal Affairs, S-811 81 Sandviken, or by telephone, +46 (0)26 26 10 81 or telefax, +46 (0)26 26 10 86. Such notification must be received by Sandvik AB not later than 3:00 p.m. Monday, 6 May 1996. To be eligible to participate in the Meeting, shareholders must be recorded in the share register maintained by Värdepapperscentralen, VPC AB (Swedish Securities Register Centre) as of Tuesday, 30 April 1996. Shareholders whose shares are registered in the name of a trustee must have temporarily re-registered the shares in their own name not later than 30 April 1996.

AGENDA

1. Matters which, in accordance with the Swedish Companies Act and the Articles of Association of the Company, must be considered at an Annual General Meeting, including: presentation of the Annual Report and Auditors' Report, adoption of the Parent Company's Income Statement and Balance Sheet and the consolidated accounts, discharge of the Board members and President from liability, disposition of the Company's unappropriated profits as shown in the Balance Sheet adopted by the Meeting, approval of fees to be paid to the Board of Directors and auditors, and the election of Board members and auditors.

2. Change in 36 of the Articles of Association whereby new regulations introduced into the Swedish Companies Act have increased the responsibility of publicly listed companies to regulate in their Articles of Association preferential rights pertaining to increases in share capital. The Board of Directors has proposed that §6 shall now read as follows:

"The Company's shares may be issued in three series, Series A shares, Series B shares and Series C shares. Series A shares shall be entitled to one vote each. Series B and Series C shares shall be entitled to one-half of a vote each. Series C shares are not entitled to dividends."

"If the Company decides to issue new Series A, B or C shares through a cash issue, owners of Series A, Series B and Series C shares shall have preferential rights to the subscription of new shares of the same type in relation to the number of shares already owned (primary preferential right). Shares not subscribed to on the basis of primary preferential rights shall be offered for subscription to all shareholders (subsidiary preferential right). If the number of shares offered in this manner is insufficient for subscription based on subsidiary preferential rights, the shares shall be distributed in relation to the number of shares already held and, to the extent that this is not possible, by lottery."

"If the Company decides to issue new shares of only one or two of the various share series, all shareholders, irrespective of which share series they own, shall have preferential rights to the subscription of new shares in relation to the number of shares already held."

Members of the Board: Rune Anderson, Percy Bernmark, Per-Olof Eriksson, Claes Åke Hedström, Lars-Olof Hiltzsson, Matsz Sahlén and Sven Åberg.

Deputy member: Lars Ivar Hising

Auditors: Authorised Public Accountant Lars Svartmark, Authorised Public Accountant Bengt-Olov Ohlsson

Deputy Auditors: Authorised Public Accountant Peter Markborn, Authorised Public Accountant Åke Nilsson.

Sandvik, April 1996

SANDVIK AKTIEBOLAG: (publ)
The Board of Directors



CIC Union Européenne de CIC

The Board of Directors of Union Européenne de CIC met on April 16, 1996 under the Chairmanship of Bernard Yoncourt to review the CIC Group's consolidated financial statements for 1995.

CIC GROUP INCOME

Group net income (excluding minority interests) advanced 36.8% over the previous year to FRF 625 million. Both business volumes and gross operating profit continued to grow in

1995. Key factors behind this growth were the network's greater responsiveness to market changes (thanks to the structure of the Group), and strong risk management.

CIC CONFIRMS ITS COMMERCIAL DRIVE

With total loans outstanding up 7%, at FRF 252 billion, the Group's activities grew satisfactorily in 1995, despite slack business conditions. This positive trend was visible in all target markets, but especially so in long-term lending: equipment financing for professional and corporate clients of regional banks rose 9.3%, and home loans to individual customers increased by 7.5%. Customer deposits increased 11.9% to FRF 206 billion, resulting from strong growth in demand deposits at year-end (up 12.5%), and a 17.1%

rise in special term savings accounts. Sales of life insurance products enjoyed robust growth, with SOCAPI increasing its funds under management by 23.4% to FRF 44.2 billion.

Fee income improved by 5%, as healthy growth in bank charges generated through the branch network (11%) offset reduced fees in last year's sluggish financial markets (-12%). Although margins shrank yet again, net banking income was up 1.5% relative to the previous year, to FRF 16.6 billion.

TIGHTENS OPERATING COST CONTROLS

A 352 person reduction in the work force, and no change in other expense

items, left operating costs at exactly the same level as last year (FRF 12.9 billion).

BOOSTS GROSS OPERATING INCOME

Gross operating income rose 6.8% to FRF 5.7 billion.

MONITORS RISK EXPOSURE CAREFULLY

The Group kept a close watch on its real estate risks, raising their provisioning ratio to 62%. Satisfactory risk management and a judicious

spread of other risks helped to reduce total allocations to provisions by 1.6% to FRF 2,428 million, bringing total coverage of doubtful debts to 59%.

REGISTERS SIGNIFICANTLY INCREASED INCOME

Income from ordinary operations, before tax, increased for the fourth consecutive year, rising 7.5% relative to 1994, to FRF 1,009 million. The tax

charge was down 51% as a result of tax-consolidation of Group subsidiaries.

Group net income (excluding minority shareholders) totalled FRF 625 million.

Loans outstanding grew in the first quarter of 1996, while on the

deposits side substantial volumes have been switched from short-term to longer-term savings products. Life insurance in particular. In the light of these encouraging trends, the Group expects to register further gains in its various

businesses in 1996, and financial

performance should move closer to market norms. Progress on all these fronts will be the Group's strongest arguments in asserting its identity and operating methods, as it prepares to broaden its shareownership.

GROUP OUTLOOK

As called for in its development plan, the CIC Group displayed even greater commercial drive in 1995.

It resolutely exploited the strengths that come from its deep regional roots and decentralized organization. It continued to enhance the policy-making and control systems essential to successfully managed growth, as well as modernizing its logistics in order to render its network ever more competitive and serve its customers even more effectively.

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business



All of these Securities have been sold. This announcement appears as a matter of record only.

GUCCI

30,325,099 Common Shares

Price U.S. \$48 a New York Share and NLG 79.368 a Dutch Share

Global Coordinator

MORGAN STANLEY & CO.
International

13,669,268 Common Shares

This portion of the offering has been sold outside the United States and Canada by the undersigned.

MORGAN STANLEY & CO.
International

CS FIRST BOSTON

CAZENOVE & CO.

SALOMON BROTHERS INTERNATIONAL LIMITED

DAIWA EUROPE LIMITED

DEUTSCHE MORGAN GRENFELL

DRESDNER BANK-KLEINWORT BENSON

ROBERT FLEMING & CO. LIMITED

INDOSUEZ CAPITAL

SOCIETE GENERALE

16,655,831 Common Shares

This portion of the offering has been sold in the United States and Canada by the undersigned.

MORGAN STANLEY & CO.
Incorporated

CS FIRST BOSTON

SALOMON BROTHERS INC

BEAR, STEARNS & CO. INC.

DEAN WITTER REYNOLDS INC.

DONALDSON, LUFKIN & JENRETTE
Securities Corporation

A.G. EDWARDS & SONS, INC.

GOLDMAN, SACHS & CO.

LEHMAN BROTHERS

MERRILL LYNCH & CO.

OPPENHEIMER & CO., INC.

PAINEWEBBER

SMITH BARNEY INC.

THE BUCKINGHAM RESEARCH GROUP
Incorporated

FURMAN SELZ
Incorporated

SANFORD C. BERNSTEIN & CO., INC.

DAIN BOSWORTH
Incorporated

EVEREN SECURITIES, INC.

FIRST OF MICHIGAN CORPORATION

JANNEY MONTGOMERY SCOTT INC.

LEGG MASON WOOD WALKER
Incorporated

McDONALD & COMPANY
Securities, Inc.

PIPER JAFFRAY INC.

RAUSCHER PIERCE REFSNES, INC.

RAYMOND JAMES & ASSOCIATES, INC.

THE ROBINSON-HUMPHREY COMPANY, INC.

WHEAT FIRST BUTCHER SINGER



Global Investor / Tony Jackson in New York

The no-win deal facing equities

If the US bond market is rattled about inflation – and it certainly seems to be – the equity market has yet to get the message. In the past three months, the long bond yield has risen from a low of 6 per cent to 6.8 per cent. The equity yield has meanwhile fallen slightly, from 2.3 per cent to 2.2 per cent on the FT World Index.

Historically, as the chart shows, the equity market has proved acutely sensitive to inflation. The yield has risen and fallen with the consumer price index, and the earnings multiple vice versa. Suppose the bond market is now right to worry about inflation. Must equities again follow suit?

COMPANY RESULTS DUE

Strike across the US likely to affect GM figures

■ General Motors: The US carmaker is expected to report sharply lower first quarter earnings, almost 70 per cent below initial estimates, because of the 17-day strike at two plants that closed down GM's entire North American operations during March. GM is expected to report today that earnings per share fell to 85 cents from \$2.51 a year ago. The carmaker is understood to have told analysts privately it estimates the strike would cut \$900m from net income in the quarter, the equivalent of about \$1.20 a share. GM is believed to have lost production of about 240,000 vehicles

It is worth considering why inflation should affect equities at all. Much of the CPI consists of prices charged by corporations. Suppose they raise their prices 10 per cent but hold their profit margins and dividend pay-outs steady. In that case, their dividends will rise 10 per cent as well. To that extent, equities offer a real yield, as opposed to the nominal yield on bonds. So although bond yields will rise with inflation, equity yields should theoretically stay the same.

There are several reasons why they do not. The first relates to the quality of earnings. In a time of stable prices, the tax allowances for depreciation are broadly the same as real replacement spending on plant and equipment. But when

prices of plant and equipment are rising rapidly, companies are out of pocket.

Similarly, high inflation gives rise to illusory profits on inventories. The effect is to produce earnings which are not backed by cash and cannot be paid out in dividends.

Second, as Salomon's chief equity strategist David Shulman points out, high interest rates associated with inflation mean future earnings are discounted more heavily to arrive at a present share price. This seems irrational, since present values are conventionally calculated using real – inflation-adjusted – rates of interest. But in practice, high inflation leads to volatility in interest rates, real and nominal. For this reason, corporations normally raise their hurdle rates of return on investments in

times of inflation.

Both these elements – the quality of earnings and the discount factor – will plainly apply if inflation returns. But the opening question remains: can companies maintain their operating margins while prices are rising?

Recent experience suggests they can. When raw materials prices were rising sharply in 1984-85, US corporations confirmed expectations by not only failing to pass on these costs, but by holding their margins. There was a benign combination of low inflation and healthy earnings growth.

One important way in which companies were able to square the circle was by slashing their wage bills. Morgan Stanley's chief economist Stephen Roach points out labour accounts for 70 per cent of US corporate

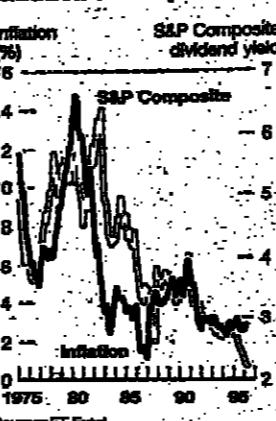
costs while commodities account for only 17 per cent.

But the slash-and-burn approach to labour has largely run its course. Also a political reaction is setting in, so labour costs may well start to accelerate. In that case, corporate America will be faced with a combination of wage and raw material price increases not seen for a decade.

As a political straw in the wind, take the recent moves endorsed by some Republicans as well as Democrats – to raise the US minimum wage of \$4.20 per hour by up to \$1. But by Roach's calculations, the knock-on effect could be to increase wage inflation – now running at 3.5 per cent – by half a percentage point.

The significance lies not so much in the absolute increase as in the direction. From the

Inflation and equities



Total return in local currency to 1994/95

	US	Japan	Germany	France	UK
Cash	0.10	0.01	0.07	0.08	0.15
Week	0.05	0.05	0.28	0.35	0.82
Month	0.56	1.41	5.00	7.13	11.44
Year	5.56				7.59
Bonds 3-5 year	0.64	-0.53	0.40	0.40	0.77
Week	0.18	-0.52	1.09	1.17	2.05
Month	1.98	-0.65	1.52	1.58	3.03
Year	7.43	4.21	10.71	14.12	19.85
Bonds 7-10 year	0.57	-0.53	0.70	0.40	1.15
Week	0.13	-0.56	2.8	3.7	5.0
Month	1.36	-0.65	1.81	1.8	3.43
Year	6.50	5.04	12.27	17.42	21.49
Equities	2.2	-0.1	0.3	0.8	2.1
Week	-1.3	-0.6	2.8	3.0	4.3
Month	30.3	28.3	26.2	18.1	34.2
Year					

Source: Cash & Bonds: Salomon Brothers. The FT/S&P Actuaries World Indices are partly owned by FT-SE International Limited. Goldman, Sachs & Co. and Standard & Poor's.

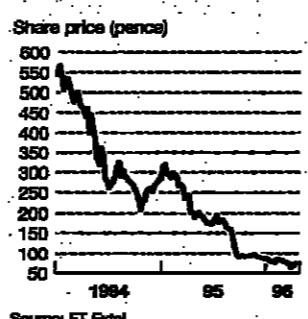
Equities: FTSE International Limited. Goldman Sachs & Co. and Standard & Poor's.

Copyright: FT-SE International Ltd, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International.

NATIONAL AND REGIONAL MARKETS

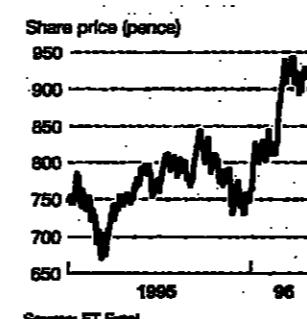
Figures in parentheses show number of lines of stock

Eurochannel



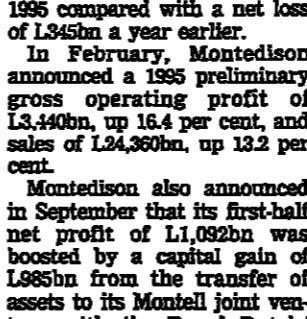
Source: FT Estat

ICI



Source: FT Estat

L1



Source: FT Estat

L1,173m-L1,350m (\$38bn) in 1995 compared with a net loss of \$345m a year earlier.

In February, Montedison announced a 1995 preliminary gross operating profit of £3.40bn, up 16.4 per cent, and sales of £34.36bn, up 13.2 per cent.

Montedison also announced in September that its first-half net profit of £1.032bn was boosted by a capital gain of £385m from the transfer of assets to its Montell joint venture with the Royal Dutch/Shell group. *AFX News*

■ Ferruzzi Finanziaria, Montedison's parent, is also due to announce its results today. The group said in February that its 1995 preliminary sales were £27.265bn, up 9.4 per cent, while gross operating profit rose 17.7 per cent to £3.623bn. In 1994, Ferruzzi posted a £597m net loss.

■ Mannesmann: The leading German engineering group which is being buoyed by

equity market's viewpoint, the risk is that the pendulum of reward may swing back to capital to labour.

Faced with such cost pressures, the only defence for corporations would be to raise prices. In recent years that has largely proved impossible, only because globalisation of trade has brought new capacity

to pass on cost increases. But if they can maintain operating margins, it may be at the expense of general inflation which reduces the quality of earnings and applies a heavier discount to their future value.

It would not do to be too pessimistic. In recent years, corporate America has shown remarkable ingenuity in finding ways to raise productivity. But if the bond market is right, watch out for upsets.

strong results from its telecoms business, reports its full results for 1995 on Wednesday and will give the fullest indications so far about prospects for this year. The group recently said net profits in 1995 had risen to DM700m – more than double the 1994 result, but DM400m of that came from telecoms which represents only about 10 per cent of group sales. While analysts forecast that gross profit this year may rise to DM1.3bn, they expect net profits to remain near their 1995 levels because of high tax charges.

■ Euretunnel: The Anglo-French operator of the Channel Tunnel is today expected to announce losses for 1995 of around \$200m.

■ ICI: First-quarter figures from the UK's biggest chemicals company on Thursday are likely to be worse than in the same period last year.

COMMODITIES
No pressure

strong results from its

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CURRENCIES
Dollar hosts

strong results from its

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INTERNATIONAL EQUITIES

Wider variety of issues in market

The international primary equity market has entered the second quarter of 1996 with a full and varied timetable of new issues and, thankfully, international investors are still flush with cash and sentiment in the secondary markets is broadly positive.

"The markets are open and deals are working," said one syndicate manager last week. Despite the heavy US primary equity calendar, bankers are continuing to see strong investment flows out of the US into Europe and emerging markets, a trend which started at the beginning of the year.

Unlike last year, when offerings had to compete against each other for investors' attention because so many were concentrated either in the telecoms or steel industries, investors are being presented with a wide range of different issues this time round.

Another reason why bankers are optimistic about the primary equity market is that they are taking more care to

space out transactions so that the overcrowding seen last year, particularly in the fourth quarter, is avoided. "There is a good order and variety to the market," said one banker.

Offerings which are currently in the market include Harvey Nichols, the Knightsbridge department store, Net.com, a Norwegian cellular phone provider, Carli Gry, a Danish retailer, Copenhagen Airport, and Mediolanum, an Italian life insurance and mutual funds company.

Eastern Europe is also yielding opportunities, namely sales of shares in Komercni Banka in the Czech Republic and in Panoplast, a Hungarian plastics manufacturer.

Most of these deals are fairly modest in size – the largest is Mediolanum which is set to raise about \$250m – but next month's scheduled privatisations, which include Railtrack in the UK, OMV, the Austrian oil and gas company, and Portugal Telecom will raise significantly larger amounts.

Another reason why bankers

could raise up to \$1.8bn from Railtrack, and the Austrian government is expected to reap about \$350m from the sale of 15 per cent in OMV, which is currently 50 per cent state-owned.

The second tranche of shares in Portugal Telecom, which was floated last year, is set to raise \$1bn to \$1.2bn. Merrill Lynch, SBC Warburg and UBS, which are arranging the Portuguese transaction, are expected to announce the rest of the syndicate early next week.

Given the high levels of liquidity in the market, bankers believe that deals of this order will be absorbed easily and that this in turn will encourage other governments to speed up their privatisation plans, in particular France.

The UK and Portugal are already well up to speed. Only a few weeks after Railtrack is priced, believed to be the end of the third week of May, the UK government will proceed with the privatisation of British Energy, BZW, which is arr-

anging the transaction, is set to announce the syndicate for British Energy today. Portugal is set to sell shares in the cement company, Cimpor, once Portugal Telecom is out of the way.

Meanwhile, Finland is expected to proceed with its plan to reduce its stake in Valmet, the world's biggest maker of paper machinery, to about 30 per cent from its current holding of 58 per cent by the summer. This transaction could raise about \$600m.

For investors who want an alternative to privatisation, the calendar of corporate IPOs remains strong. CS First Boston is believed to have won the mandate to spin off Olivetti's office equipment subsidiary, Lexikon, and Goldman Sachs is preparing the DM50m IPO of Eurobike, a German motor-cycle company.

Bankers are also optimistic that the recent M&A activity in Switzerland will produce some interesting equity offerings this year.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International.

NATIONAL AND REGIONAL MARKETS

Figures in parentheses show number of lines of stock

	FRIDAY APRIL 19 1996						THURSDAY APRIL 18 1996						DOLLAR INDEX					
	US	UK	France	Germany	Japan	Sweden	US	UK	France	Germany	Japan	Sweden	US	UK	France	Germany	Japan	Sweden</

NEW YORK By John Jackson

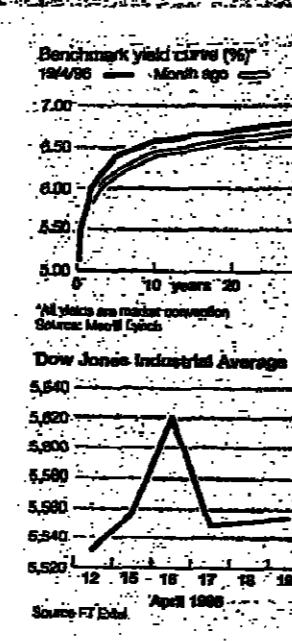
The US debt and equity markets continue to convey a sense of imbalance, with bonds in disarray and the equity market still remarkably robust. Much of this is due to continued optimism over corporate earnings, so the current results season needs careful watching.

So far, the pattern has been encouraging, with strong results last week from mainline stocks such as Kodak and confirmed evidence of stock buy-backs. This week brings first-quarter figures from big names such as Procter & Gamble, Xerox and Allied Signal, all of which are expected to raise earnings by well over 10 per cent.

On the other hand, there will be plenty of downturns in cyclical sectors such as chemicals and steel. If they are less severe than expected – as in paper stocks last week – the market could be encouraged.

Dupont will manage a healthy increase in earnings per share as a result of its massive share buy-back from Seagram a year ago. But Dow, Monsanto and Union Carbide are all likely to show falls, while several steel stocks, such as Bethlehem and National, are expected to make a loss.

The bond market, meanwhile, has little to go on in the way of official statistics this week. Tomorrow brings February balance of payments



Sources: FT Data, April 1996

data, which are expected to show a fall from January's seasonally high 10.35% to less than 9.8% (and from last year's monthly average) of rather more than 10%.

Wednesday brings March figures for durable goods orders, expected to be slightly down after February's sharper fall of 2.3 per cent. However, the underlying figure may be less encouraging. February's figure was depressed by low orders for defence and aerospace and this may not be true this time round.

COMMODITIES By Richard Mooney

No pressure at rubber talks

Progress towards ratification of a new price stabilisation pact for the world natural rubber market will be discussed this week at a meeting of the International Natural Rubber Organisation in Kuala Lumpur, Malaysia.

There appears to be little prospect, however, of any significant move being made to hasten ratification.

It'll be a very straightforward meeting... mostly on house-keeping stuff," an Iro official told the Reuters news agency last week. "The status of the Ira 3 and the importance of its ratification will be discussed at the meeting," he said. "But it's possible that there won't be a dramatic show of commitment at this stage."

CURRENCIES By Philip Gavith and Graham

Dollar hostage to developments at G7 meeting

The dollar, for the early part of this week at least, will be hostage to developments arising from yesterday's meeting of G7 finance ministers in Washington. Early reports suggested ministers welcomed the dollar's recovery over the last year, with only tentative hints that officials were looking for the currency to rise further.

Against this background, the dollar is unlikely to make significant headway this week.

This lack of progress can perhaps best be explained by the markets' already bullish position towards the dollar, which makes any further upward move difficult.

Aside from the G7 and the dollar, traders are sure to focus on the outcome of the Italian election. First prize, from a market perspective, will be a strong government, whether it be from the right or left.

Of the two, a centre-left

majority would probably be more enthusiastically received by currency markets, because the left would be keener on an early Italian re-entry into the European exchange rate mechanism.

Speculation about ERM re-entry could well spur a strong rally in the lira, because traders would assume that re-entry would only be permissible to other ERM members provided the lira did not remain undervalued. Some analysts believe

Italy could apply for ERM membership as early as June. If, however, the election fails to produce a clear victor, investors may well be tempted to sell Italian assets, either swapping them for assets in other high-yielders such as Spain, or retreating into the D-mark for safety. If the latter, this could upset the dollar's rally, especially if it takes place in conjunction with a tepid G7 statement.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 19, 1996. In some cases the rate is nominal. Market rates have been calculated from those of foreign currencies to which they are tied.

	£ STG	US \$	D-MARK	YEN	£ STG	US \$	D-MARK	YEN	£ STG	US \$	D-MARK	YEN
	g. 100s	g. 100s	g. 100s	g. 100s	g. 100s	g. 100s	g. 100s	g. 100s	g. 100s	g. 100s	g. 100s	g. 100s
Afghanistan (Afghan)	7250.07	4750.00	3154.00	4402.00	326.524	241.310	160.284	225.597	324.071	24.6253	22.9961	32.3727
Albania (Lek)	120.705	80.548	52.241	70.241	1.0700	0.7652	0.5292	0.7717	1.0847	0.2907	0.2262	0.3005
Andorra (Fr.)	7.7557	5.1050	3.3651	4.0000	1.7357	1.2000	0.8261	1.2762	1.7663	0.5264	0.3824	0.5712
Angola (Pataca)	180.573	125.400	83.000	100.000	2110.01	2971.44	1.2724	1.7154	1.9154	0.6231	0.4500	0.7712
Anguilla (Pound)	4.0678	2.7000	1.7862	2.0000	2.0642	1.4000	0.9200	1.2000	1.6217	0.6201	0.4500	0.6500
Antigua (Pound)	5.0165	3.2000	2.0000	2.2000	2.0000	1.3333	0.8889	1.0000	1.3333	0.5000	0.3333	0.5000
Argentina (Peso)	600.250	393.497	267.908	375.908	10.2000	7.0000	4.5000	5.5000	10.2000	3.5000	2.5000	3.5000
Armenia (Dr. L.)	2.7167	1.7800	1.1868	1.6755	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Australia (Dollar)	1.9400	1.2750	0.9462	1.1554	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Austria (Sch. L.)	5641.454	4760.00	3205.08	4071.08	102.670	144.934	8.0000	10.0000	102.670	3.5000	2.5000	3.5000
Azerbaijan (Manat)	1.5177	1.0000	0.6541	0.8256	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Bahrain (Dinar)	0.5725	0.3871	0.2500	0.3250	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Bangladesh (Taka)	62.1474	40.8600	27.1957	38.2655	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Barbados (Dollar)	3.0523	2.0100	1.3655	1.7500	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Belarus (Rub.)	20.4050	14.0000	9.5000	12.5000	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Belgium (Franc)	49.9713	36.9500	24.8500	38.8047	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Belize (Belize)	3.0524	2.0000	1.3655	1.7500	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Benin (CFA Fr.)	77.5700	51.9000	33.5111	47.7500	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Bermuda (Dollar)	1.5177	1.0000	0.6541	0.8256	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Bhutan (Ngultrum)	51.3037	34.0000	22.0000	31.0000	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Botswana (Pula)	4.8584	3.2500	2.1500	3.0400	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Brazil (Real)	2.1377	1.4000	0.9334	1.1666	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Bulgaria (Lev)	128.959	84.9000	56.4555	78.4555	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Burkina Faso (CFA Fr.)	77.5700	51.9000	33.5111	47.7500	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Burundi (Fr.)	427.803	281.874	197.200	308.382	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Cambodia (Riel)	340.971	230.000	152.753	210.254	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Cameroon (Fr.)	77.570	51.9000	33.5111	47.7500	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Canada (Dollar)	1.9400	1.2750	0.8889	1.1554	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Central African Rep. (CFA Fr.)	190.313	125.400	83.250	117.225	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Chad (CFA Fr.)	125.584	88.9700	61.7500	103.750	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Chile (Peso)	375.370	250.000	165.250	338.3111	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
China (Yuan)	1.5177	1.0000	0.6541	0.8256	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
Chile (Peso)	1.5177	1.0000	0.6541	0.8256	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
China (Yuan)	1.5177	1.0000	0.6541	0.8256	1.0000	0.7000	0.4500	0.5500	1.0000	0.3500	0.2500	0.3500
China (Yuan)	1.											

Issue 150



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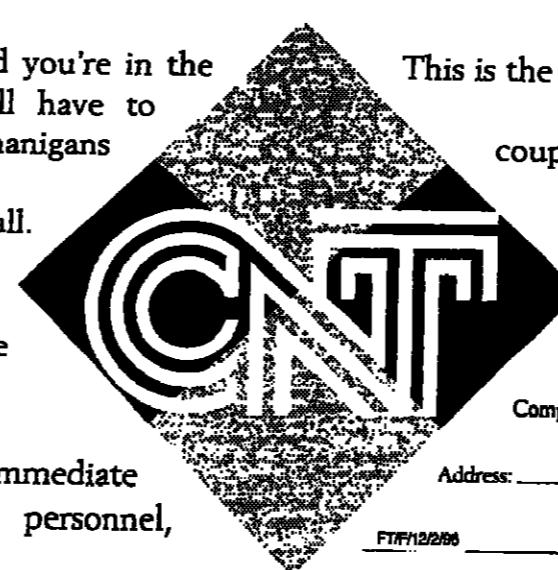
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WORLD STOCK MARKETS

From automotive to automation, Rockwell gets your business moving



TURKEY (Apr 19 / Tk Lira)									
Akbank	8,800	-100	10,800	7,000	0.0				
AKINSAS	8,400	-100	10,800	4,200	0.0				
Aselsan	41,000	-500	40,000	10,000	0.0				
Asigaz	26,000	-500	25,000	10,000	0.0				
ATAKOMA	24,000	-500	20,000	8,000	0.0				
Ataturk	40,000	-500	35,000	10,000	0.0				
Besiktas	6,700	-100	7,000	5,200	0.0				
Denizbank	8,300	-200	9,300	5,900	0.0				
Turkcell	16,750	-250	20,000	7,500	0.0				
Turkmen	120,000	-10,000	180,000	62,000	0.0				
+/- High Low YM P/E									
PORTUGAL (Apr 19 / Escudo)									
Alcatel	2,030	+78	2,370	1,827	2.5				
AlfaPac	2,340	+10	2,390	1,980	2.1				
AlfaPac	37,520	-500	60,000	3,300	0.0				
AlfaPac	8,250	+10	8,800	7,500	2.6				
AlfaPac	16,720	+50	18,850	15,100	1.5				
AlfaPac	10,350	+10	18,260	14,800	1.3				
AlfaPac	5,470	+10	7,400	5,970	3.7				
AlfaPac	5,600	+80	7,000	5,200	3.6				
AlfaPac	3,920	+40	4,070	2,780	7.1				
AlfaPac	4,100	+12	5,250	2,900	2.6				
AlfaPac	2,970	+10	5,000	2,100	3.5				
+/- High Low YM P/E									
PACIFIC									
JAPAN (Apr 19 / Yen)									
Alcatel	1,950	-20	1,900	1,400	0.0				
Alcatel	1,335	-20	1,410	1,185	0.5				
Alcatel	4,000	+20	4,400	3,000	0.0				
Alcatel	5,015	+10	5,300	3,600	0.6				
Alcatel	17,500	-500	23,500	17,200	0.0				
Alcatel	5,150	+5	5,130	2,775	0.3				
Alcatel	1,950	-20	1,900	1,400	0.0				
Alcatel	1,510	-20	1,500	1,200	0.0				
Alcatel	540	-20	1,500	1,000	0.0				
Alcatel	1,400	-20	1,500	1,000	0.0				
Alcatel	514	-20	1,400	1,070	0.0				
Alcatel	500	-20	1,400	1,070	0.0				
Alcatel	2,240	-20	2,420	1,985	0.0				
Alcatel	2,110	-20	2,100	1,850	0.0				
Alcatel	415	-20	445	330	0.0				
Alcatel	2,240	-20	2,420	1,985	0.0				
Alcatel	2,110	-20	2,100	1,850	0.0				
Alcatel	415	-20	445	330	0.0				
Alcatel	1,140	-20	1,150	1,000	0.0				
Alcatel	2,000	-20	2,150	1,900	0.0				
Alcatel	1,900	-20	1,950	1,700	0.0				
Alcatel	1,800	-20	1,850	1,600	0.0				
Alcatel	1,700	-20	1,750	1,500	0.0				
Alcatel	1,600	-20	1,650	1,400	0.0				
Alcatel	1,500	-20	1,550	1,300	0.0				
Alcatel	1,400	-20	1,450	1,200	0.0				
Alcatel	1,300	-20	1,350	1,100	0.0				
Alcatel	1,200	-20	1,250	1,000	0.0				
Alcatel	1,100	-20	1,150	900	0.0				
Alcatel	1,000	-20	1,050	800	0.0				
Alcatel	900	-20	950	700	0.0				
Alcatel	800	-20	850	600	0.0				
Alcatel	700	-20	750	500	0.0				
Alcatel	600	-20	650	400	0.0				
Alcatel	500	-20	550	300	0.0				
Alcatel	400	-20	450	200	0.0				
Alcatel	300	-20	350	150	0.0				
Alcatel	200	-20	250	100	0.0				
Alcatel	100	-20	150	50	0.0				
Alcatel	50	-20	100	50	0.0				
Alcatel	0	-20	50	0	0.0				
+/- High Low YM P/E									
NETHERLANDS (Apr 19 / Fla.)									
ABNAmro	83,70	+1	84,30	59,30	3.5				
ABNAmro	81,50	+1	82,00	57,80	3.5				
ABNAmro	54,10	+50	55,80	55,30	1.4				
ABNAmro	104,50	+50	105,00	77,80	1.3				
ABNAmro	271,10	+40	272,00	263,00	2.0				
ABNAmro	340	+50	37,50	31,40	6.9				
ABNAmro	50	+50	27,50	22,50	2.0				
ABNAmro	40	+50	22,50	19,00	2.0				
ABNAmro	30	+50	20,50	17,50	2.0				
ABNAmro	20	+50	18,50	15,50	2.0				
ABNAmro	10	+50	16,50	13,50	2.0				
ABNAmro	5	+50	14,50	11,50	2.0				
ABNAmro	0	+50	12,50	9,50	2.0				
Alcatel	1,300	-100	1,500	1,150	0.0				
Alcatel	900	-100	1,000	800	0.0				
Alcatel	600	-100	700	500	0.0				
Alcatel	400	-100	500	300	0.0				
Alcatel	200	-100	300	100	0.0				
Alcatel	0	-100	200	0	0.0				
+/- High Low YM P/E									
SINGAPORE (Apr 19 / \$S)									
ACMA	416	-	416	416	3.3				
Academy	217	-	217	217	2.0				
Academy	216	-	216	216	2.0				
Academy	215	-	215	215	2.0				
Academy	214	-	214	214	2.0				
Academy	213	-	213	213	2.0				
Academy	212	-	212	212	2.0				
Academy	211	-	211	211	2.0				
Academy	210	-	210	210	2.0				
Academy	209	-	209	209	2.0				
Academy	208	-	208	208	2.0				
Academy	207	-	207	207	2.0				
Academy	206	-	206	206	2.0				
Academy	205	-	205	205	2.0				
Academy	204	-	204	204	2.0				
Academy	203	-	203	203	2.0				
Academy	202	-	202	202	2.0				
Academy	201	-	201	201	2.0				
Academy	200	-	200	200	2.0				
Academy	199	-	199	199	2.0				
Academy	198	-	198	198	2.0				
Academy	197	-	197	197	2.0				
Academy	196	-	196	196	2.0				
Academy	195	-	195	195	2.0				
Academy	194	-	194	194	2.0				
Academy	193	-	193	193	2.0				
Academy	192	-	192	192	2.0				
Academy	191	-	191	191	2.0				
Academy	190	-	190	190	2.0				
Academy	189	-	189	189	2.0				
Academy	188	-	188	188	2.0				
Academy	187	-	187	187	2.0				
Academy	186	-	186	186	2.0				
Academy	185	-	185	185	2.0				
Academy	184	-	184	184	2.0				
Academy	183	-	183	183	2.0				
Academy	182	-	182	182	2.0				
Academy	181	-	181	181	2.0				
Academy	180	-	180	180	2.0				
Academy	179	-	179	179	2.0				
Academy	178	-	178	178	2.0				
Academy	177	-	177	177	2.0				
Academy	176	-	176	176	2.0				
Academy	175	-	175	175	2.0				
Academy	174	-	174	174	2.0				
Academy	173	-	173	173	2.0				
Academy	172	-	172	172	2.0				
Academy	171	-	171	171	2.0				
Academy	170	-	170	170	2.0				
Academy	169	-	169	169	2.0				
Academy	168	-	168	168	2.0				
Academy	167	-	167	167	2.0				
Academy	166	-	166	166	2.0				
Academy	165	-	165	165	2.0				
Academy	164	-	164	164	2.0				
Academy	163	-	163	163	2.0				
Academy	162	-	162	162	2.0				
Academy	161	-	161	161	2.0				
Academy	160	-	160	160	2.0				
Academy	159	-	159	159	2.0				
Academy	158	-	158	158	2.0				
Academy	157	-	157	157	2.0				
Academy	156	-	156	156	2.0				
Academy	155	-	155	155	2.0				
Academy	154	-	154	154	2.0				
Academy	153	-	153	153	2.0				
Academy	152	-	152	152	2.0				
Academy	151	-	151	151	2.0				
Academy	150	-	150	150	2.0				
Academy	149	-	149	149	2.0				
Academy	148	-	148	148	2.0				
Academy	147	-	147	147	2.0				
Academy	146	-	146	146	2.0				
Academy	145	-	145	145	2.0				
Academy	144	-	144	144	2.0				
Academy	143	-	143	143	2.0				
Academy	142	-	142	142	2.0				
Academy	141	-	141	141	2.0				
Academy	140	-	140	140	2.0				
Academy	139	-	139	139	2.0				
Academy	138	-	138	138	2.0				
Academy	137								

INDICES

US INDICES															
1996				1996				1996							
Apr 19	Apr 16	Apr 17	High	Apr 19	Apr 16	Apr 17	High	Apr 19	Apr 16	Apr 17	High				
Argentina General(2/1/77)	1728.12	1706.62	1695.14	16191.56	31/1	16228.81	193	Japan Topix(4/1/85)	1679.4	1673.31	1677.48	1683.01	154	1594.12	133
Australia All Ordinaries(1/1/80)	2265.8	2256.5	2266.8	2233.48	43	2167.40	11/3	2nd Sector(4/1/80)	2186.46	2183.97	2197.38	2197.38	174	1982.78	143
All Minis(1/1/80)	1074.5	1072.7	1082.3	1085.08	154	1004.70	16/1	Malaysia KLSE Comp(4/1/95)	1172.20	1167.28	1165.03	1172.20	194	988.18	21
Austria Credit Agric(3/7/284)	377.18	376.75	375.76	365.96	31/1	382.28	2/1	PCN(1978)	40	327.52	322.42	322.32	184	273.98	83
Belated Index(2/1/81)	1102.97	1081.15	1085.83	1082.97	194	976.27	2/1	US Index CBOE(4/1/83)	803.7	601.3	604.1	607.98	154	538.58	2/1
Belgium BEL20(1/1/81)	1724.63	1724.94	1726.15	1785.71	7/2	1574.98	2/1	CDS TarnGen(Ed 53)	364.6	363.2	355.0	367.28	154	328.79	2/1
Brazil Bovespa(2/1/85)	5078.0	5032.0	5030.0	5410.00	22	4380.00	2/1	CDS All Staged 53	364.6	363.2	355.0	367.28	154	DJ Ind. Day's high (d) 5500.51 Low (d) 5493.83 (Theoretical)	
Canada Mark Mobius(1/1/95)	5474.11	5469.48	5513.28	5548.84	164	4887.47	16/1	Composite(4/1/73)	947.07	843.81	841.51	861.46	588.48	681.45	4.40
Canada Mark Mobius(1/1/95)	5474.11	5469.48	5513.28	5548.84	164	4887.47	16/1	Composite(4/1/73)	947.07	843.81	841.51	861.46	588.48	681.45	4.40
Composite(4/1/73)	5089.57	5088.65	5082.90	5086.36	164	4738.70	15/1	Portfolios(5/4/103)	2447.43	2443.42	2440.20	2448.57	8/2	257.98	2/1
Portfolios(5/4/103)	2447.43	2443.42	2440.20	2448.57	8/2	257.98	2/1	Portugal BM(3/4/193)	1795.21	1805.33	1792.88	1805.33	184	1802.81	2/1
Portugal BM(3/4/193)	1795.21	1805.33	1792.88	1805.33	184	1802.81	2/1	Singapore SES All-Stock(2/4/75)	586.92	587.20	580.92	814.37	5/2	1802.81	2/1
Finland HEX General(2/1/290)	1892.21	1887.50	1863.42	1887.38	193	1881.87	10/1	South Africa JSE Code(2/4/78)	1887.39	1881.8	1837.7	1817.80	7/2	1348.40	2/1
France SFT 250(3/1/280)	1421.90	1417.34	1411.34	1421.90	194	1250.16	2/1	SFT 250(3/1/280)	1421.90	1417.34	1411.34	1421.90	194	1250.16	2/1
France CDS(4/31/1287)	2092.45	2085.98	2075.12	2087.34	164	1887.85	11/1	Portugal BM(3/4/193)	1795.21	1805.33	1792.88	1805.33	184	1802.81	2/1
Finland HEX General(2/1/290)	1892.21	1887.50	1863.42	1887.38	193	1881.87	10/1	Singapore SES All-Stock(2/4/75)	586.92	587.20	580.92	814.37	5/2	1802.81	2/1
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Finland HEX General(2/1/290)	1892.21	1887.50	1863.42	1887.38	193	1881.87	10/1	South Korea KospiCapEx(4/1/80)	948.37	936.89	922.40	848.37	194	934.87	133
Finland HEX General(2/1/290)	1892.21	1887.50	1863.42	1887.38	193	1881.87	10/1	Spain Madrid(5/30/1285)	355.73	351.63	350.25	355.78	184	322.76	11/1
Finland HEX General(2/1/290)	1892.21	1887.50	1863.42	1887.38	193	1881.87	10/1	Sweden Aktiebolag(1/23/77)	1922.1	1897.6	1884.1	1927.00	193	1705.08	2/1
Finland HEX General(2/1/290)	1892.21	1887.50	1863.42	1887.38	193	1881.87	10/1	Switzerland Swiss Bk Ind(3/1/258)	1751.45	1745.86	1744.98	1764.95	273	1516.19	17/1
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Finland HEX General(2/1/290)	1892.21	1887.50	1863.42</												

INDEX FUTURES

مکانیزم الامین

FINANCIAL TIMES SURVEY

LATIN AMERICAN MINING

World's treasure chest yields more

The unprecedented mining boom is fuelled by rising world demand and by smaller companies' efforts to remain in the industry, says Kenneth Gooding

From aluminium to zinc, the world already relies heavily on Latin America to provide the raw materials necessary for modern living. Chile accounts for nearly one quarter of the copper mined globally. Brazil is second only to China in output of iron ore while Bolivia is the world's third largest tin producer.

The region is also an important producer of some more exotic metals and minerals: antimony; arsenic; barytes; graphite; iodine; kaolin; lithium; manganese; molybdenum; talc; tantalum; tungsten; to name but a few. And even salt.

But the world wants more. And international mining companies have decided there is much wealth still to be found in Latin America so the region has been the centre of an unprecedented mining boom.

Mining companies spent more on exploration in Latin America in 1995 than in any other part of the globe. It was the second successive year that the region topped the spending league. According to the Metals Economics Group, an independent Canadian research organisation, the international mining industry spent \$3.55bn on global exploration for non-ferrous metals last year, a healthy 21 per cent increase from the 1994 level.

Mining companies budgeted to spend \$784m in Latin America, 44 per cent more than 1994's \$544m. Within the region, Chile attracted the biggest slice of the exploration cash, \$177.6m, followed by

Peru, \$121m. There are already some big projects in the pipeline. It is estimated it could cost between \$2bn and \$10bn to develop the top 20 projects.

Exploration in the region is devoted mainly to copper and gold and this shows in the list of projects. About 55 per cent of the \$2bn-\$10bn is for copper projects and 25 per cent for gold.

Another sign of the importance mining companies place on Latin America is the fact that some of the big battles for assets have focused on the region. For example, Barrick Gold fought off Royal Oak Mines to gain control of Las Minas, the prize being the El Indio gold mine in Chile's high Andes. Placer Dome of Canada lost to Rio Algom of Canada in partnership with North of Australia in the fight for International Musto and its 50 per cent of the Alumbrera copper-gold project; while Newmont Mining is embroiled in a bitter legal dispute with BRGM of France over the Yanacocha gold mine in Peru, destined to become one of the world's treasure stores.

The reason for all this activity is that the industry is convinced it will not be long before global mining is dominated by a very few, very big international groups. They are scrambling to make sure they are not left behind or gobbled up by another predator.

The pace is hectic because governments that once treated mining groups with deep suspicion have started competing for their favours. Many have watered down or abolished the foreign ownership restrictions and sometimes punitive taxes that previously discouraged companies from exploring large parts of the globe.

Mining groups are also being invited to bid for state-owned mining assets as huge chunks of the industry are being returned to the private sector around the world.

The mining industry is suddenly confronted with a wide

arena of opportunities that have not been available for several decades," says Mr Bob Wilson, chief executive of London-based RTZ-CRA, the world's biggest mining group.

Mr Wilson estimates that since the beginning of the 1990s as many as half the countries in the world have opened their doors to international mining companies and are actively encouraging them to invest. More than 70 countries have changed their mining laws to appeal to foreign companies.

All of this is a big change from 20 years ago, when mining was an industry in which internationally operating companies had virtually ceased to exist after being unceremoniously booted out of one region after another.

The present deregulation process actually started

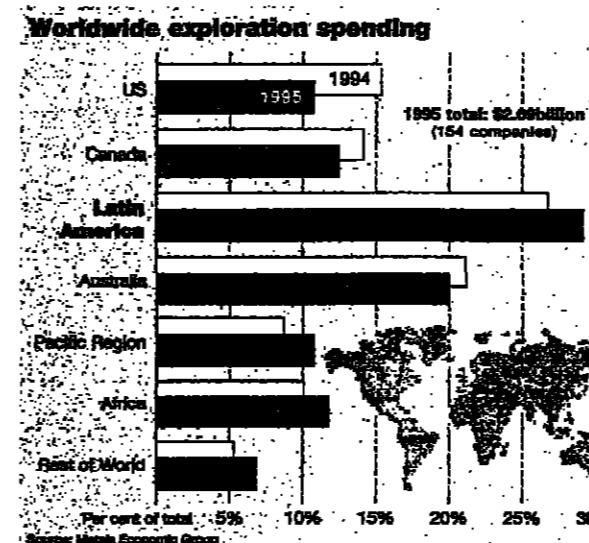
in Latin America in the mid-1980s. Virtually the whole of the region is now actively seeking investment from mining groups. Even Brazil is somewhat reluctantly joining the trend, with plans to privatise its national flag bearer CVRD, the world's biggest iron-ore producer, early next year.

The Brazilian government hopes to raise more than \$8bn from the deal. And Brazil recently changed the legislation that prevented foreign ownership of mining companies.

The changed circumstances are already having an important impact on the structure of the global mining industry, which has generally enjoyed a prosperous period in the past two or three years, with metals and minerals prices buoyant.

For one thing, they have contributed to a quickening in the pace of consolidation since, for the most part, only big and wealthy companies can afford the assets on offer.

Mr Jerry Ellis, chief executive of BHP Minerals, the Australian group, says the mining industry in the 21st century is



"likely to be dominated by a relatively small number of large companies that will be truly global in scope, and internationally staffed".

Latin America might have provided the catalyst to reshape the mining industry but today it faces serious competition from countries in sub-Saharan Africa, which have followed Latin America's lead in changing restrictive rules and regulations. They are competing for the limited amount of capital available. Soon the competition will become even more intense as China, India and the countries of the former Soviet Union start to give the international miners a more positive welcome.

The move to Latin America was led mainly by North American companies in the early 1990s. Conditions were right: metal prices were at a level to generate good profits and improved financial markets enabled junior (or smaller) companies to raise venture capital and seniors to refinance existing debt on more favourable terms.

The North Americans were also concerned about the increased cost of developing projects in the US and Canada where they faced difficulties in gaining access to public land for exploration and where an active environmental movement often protested about any proposed mining project and delayed the permitting process.

However, it has not been a

smooth ride recently for small (or junior) companies because the financial community for a while was far less willing to provide cash for any Latin American projects after the sudden devaluation of the Mexican peso in December 1994 and the subsequent financial panic. Some juniors have also over-extended themselves with work commitments and this has weakened their finances.

After last year's "Investing in the Americas" conference, which provided a meeting place for government officials from most Latin American countries as well as big and small mining companies, Ms Amy Gassman, analyst at the Goldman Sachs financial services group, said: "In contrast to the enthusiasm of recent years, which celebrated the re-opening of Latin America as a mining region attractive to international companies and capital, a subdued undercurrent this year quietly questioned whether the Latin American mining boom was broadly enough based and financially sustainable."

Ms Gassman added: "Financially strong companies with secure production pipelines will be the ultimate beneficiaries [as Latin America opens up even more]. They can afford to wait to acquire choice positions as the availability of project financing slows and they can store their projects until market conditions improve."

CHILE: by Imogen Mark

In peak condition

High in the Andes, Chile's already vast copper industry is reaching for new heights

The graph tracing Chilean copper production between 1995 and 2000 rises almost as steeply as the Cordillera de los Andes, which contains some of the world's richest deposits.

In the past five years, national output has risen from 1.6m to 2.2m tonnes of fine copper, and by the end of the decade it is expected to top 4m tonnes, representing about 42 per cent of world production.

Codeco, the state copper corporation, is the world's biggest copper producer - last year it produced 1.16m tonnes. But even more is now being produced by private companies.

This marks a quiet but radical reversal of the revolution 25 years ago, when the Chilean Congress voted unanimously to nationalise the mines.

It did so as a step on the "Chilean road to socialism" preached by President Salvador Allende and his Popular Unity government from 1970 to 1973.

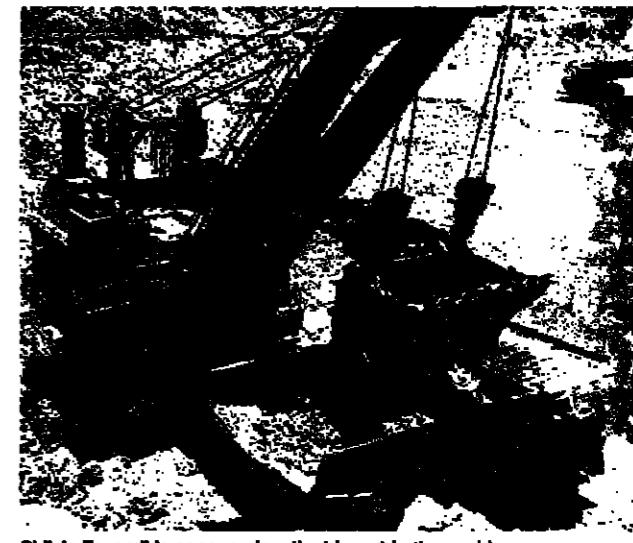
In the ensuing military government of President Augusto Pinochet, the state held on to the former foreign-owned mines, and reorganised them into Codeco.

But at the beginning of the 1990s it also introduced a mining code which guaranteed future mineral rights to the company which discovered them, and also made 1970s-style expropriations virtually impossible. Gradually, foreign mining companies ventured back, tempted by the good-grade deposits. With Chile's return to democracy in 1990, the tricke became a flood.

Escondida was the first big

venture, starting in 1990. Its initial output was 330,000 tonnes per year, but almost from year one its owners, BHP of Australia, RTZ in London and a group of Japanese smelters, were planning expansions. By the middle of this year the company expects to be producing 800,000 tonnes a year, making it the world's biggest copper mine.

Escondida was the first big



Chile's Escondida copper mine, the biggest in the world

port, the offices in Iquique [the nearest town, three hours from the mine] and Santiago, so we need the fewest possible people on site at the mine," Mr Kesler says. Finding the right people is one of the hardest tasks. Chile has almost full employment, and there is a lack of skilled labour at all levels.

As a result, "the costs of doing business in Chile match US levels," Mr Kesler says.

Collahuasi and Escondida, along with other foreign mining companies, expect to train their own workers.

Recruiting, relocating, training and housing, as well as the infrastructure preparation, will represent a full quarter of Collahuasi's total \$1.76bn investment, Mr Kesler says. The infrastructure includes access roads, a port and water distribution.

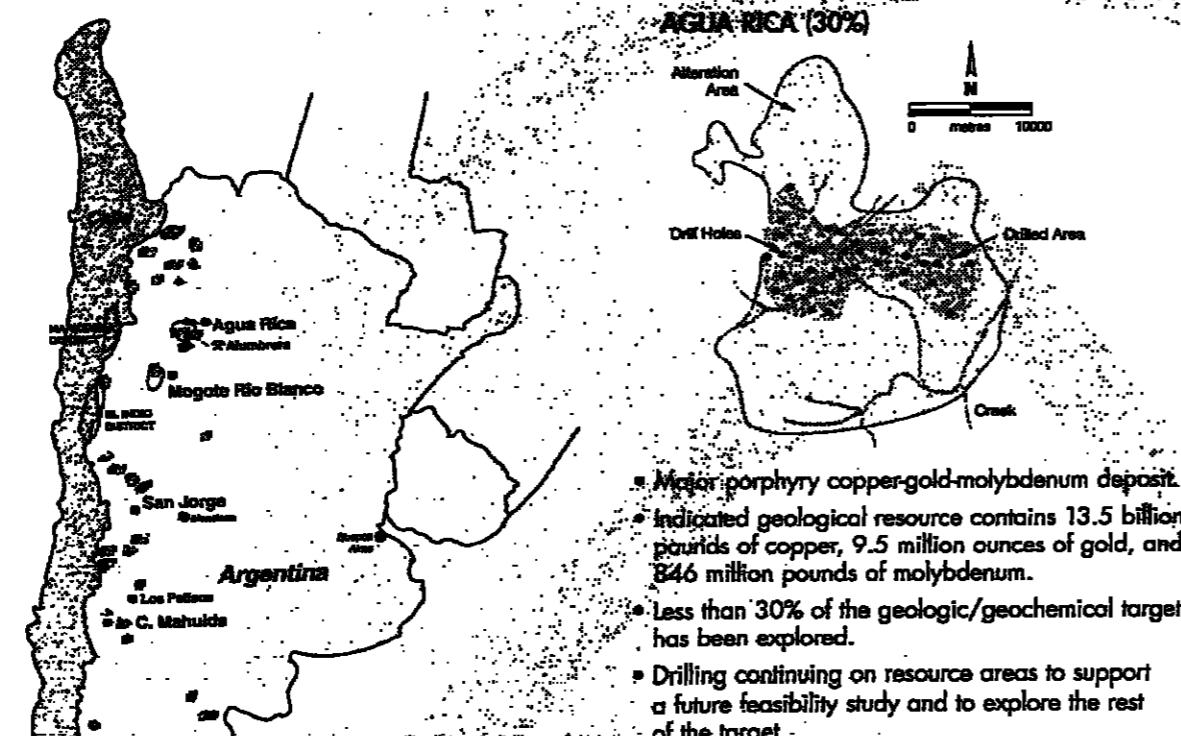
A third large-scale project belongs to Chile's only big native mining entrepreneur, Mr Andronic Luksic, who owns the Los Pelambres mine. He plans to raise production from its current 22,000 tonnes a year to 230,000 tonnes by around the end of the century.

Codeco, finally, has its own plans for expansion. It has a joint-venture, the El Abra mine, with Cyprus Amax of the US, which should start producing 235,000 tonnes a year in 1997. It has also started work on a new wholly-owned venture, Radomiro Tomic, which will produce another 225,000 tonnes by 1998.

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YORKTON

LEADERSHIP IN FINANCING RESOURCE COMPANIES

Private Placement September 5, 1995

\$11,270,000

BEMA GOLD CORPORATION

4,025,000 Special Warrants

(3,500,000-\$25,000 over-allotment)

Price: \$2.80 per Special Warrant

Exercisable to one share and one-half warrant

Lead Manager

Yorkton Securities Inc.

Private Placement July 28, 1995

\$40,000,000

Northern Orion Exploration Ltd.

10,000,000 Special Warrants

Price: \$4.00 per Special Warrant

Each special warrant entitles holder to acquire one share and one-half warrant

Co-Lead Manager

Yorkton Securities Inc.

Private Placement June 30, 1995

\$6,160,000

GRAN COLOMBIA RESOURCE

5,600,000 Units

Price: \$1.10 per Unit

Each unit consists of one common share and one-half of one share purchase warrant

Lead Manager

Yorkton Securities Inc.

Private Placement August 14, 1995

\$4,255,000

Oro Peru Resources Inc.

3,700,000 Units

Price: \$1.16 per Unit

Each unit consists of one common share and one-half warrant

Lead Manager

Yorkton Securities Inc.

Private Placement November 21, 1995

\$3,000,000

Santa Cruz Gold Inc.

6,000,000 Special Warrants

Price: \$0.50 per Special Warrant

Exercisable into one unit which comprises one share and one-half warrant

Lead Manager

Yorkton Securities Inc.

Initial Public Offering March 14, 1995

\$12,600,000

COLONIAL RECYCLING

6,000,000 Common Shares

Price: \$2.10 per Common Share

Claro B common shares

Co-Lead Manager

Yorkton Securities Inc.

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II LATIN AMERICAN MINING

■ HOW THE FINANCE IS RAISED: by Bernard Simon

Canada holds the key

Half the money to finance "the mother of all lotteries" is coming from Canada

A surge in exploration activity combined with investors' appetite for emerging markets has created an active - some would say over-heated - market in the shares of junior mining companies seeking fame and fortune in Latin America.

Share prices on the stock exchange tell the story. Arequipa Resources, which is looking for gold in Peru, has jumped from less than a dollar last May to a mid-February peak of C\$13.88. Northern Orion Exploration, with gold and copper properties in Argentina and Cuba, more than doubled between the end of December 1995 and early February.

Even these two companies pale beside Guyana Resources, whose price quintupled to over C\$15 during March on reports that it had found diamonds in French Guyana.

The activity is centred on Canadian stock exchanges. Many of the small exploration companies are headed by entrepreneurs who cut their teeth in the swashbuckling atmosphere of the Vancouver and Alberta exchanges, or by former executives at larger North American metal producers.

Generous "flow-through" tax incentives helped nurture Canadian exploration companies in the late 1980s and early 1990s. Furthermore, the withdrawal of banks from exploration financing over the past decade created an opening for securities dealers to put together equity deals.

Three Canadian securities firms - First Marathon, Gordon Capital and Yorkton Securities - pioneered financing for Latin American exploration in the early 1990s.

Mr Philip Martin, Gordon Capital's director of mining finance, says that European investors were first to appreciate the opportunities. "The Europeans were the ones who could see the mystique in it," he says. But the interest is

now far more widespread. Several dozen analysts in North America and Europe cover Latin American mining and exploration. Mr Frank Giustra, Yorkton's chief executive, estimates that about half the demand for new equity issues comes from Canadian investors, with the rest split almost equally between Europe and the US.

Debt finance on a significant scale normally becomes available only when properties yield sufficiently encouraging drilling results to justify a full feasibility study.

The progression from speculative equity funding to more traditional sources is illustrated by Bema Gold, a small Vancouver-based company that began looking for gold in northern Chile in the mid-1980s. Bema struggled with common consent offers the most attractive investment climate in Latin America. Placer financed its 50 per cent stake in the \$500m Zaldivar copper mine entirely from its own balance sheet.

However, it is likely to turn to outside sources to help finance a proposed gold and copper mine on the 70 per cent-owned Las Cristinas property in Venezuela. Mr McLennan notes that Venezuela's credit rating is a single-B, which puts it below normal investment grade. "We're prepared to accept a good part of the risk, but we want to share a part of it," he says.

Whatever political risks

there may be in Latin America appear so far to have been of little concern to investors in junior exploration companies. As Mr Martin sees it, most countries in the region now offer an hospitable environment. Gordon Capital had little difficulty recently raising finance for Chivor Emeralds, which is looking for gemstones in Colombia.

"When you invest in this stuff, you're taking the metal price risk, but you're looking for exploration upside," Mr Martin says.

It remains to be seen how long the boom lasts. Mr Giustra predicts that interest will be kept alive for another 5-10 years by a discovery or two a year on the scale of the recent nickel find at Voisey's Bay in Canada, or the apparently huge gold belt in Kalimantan, Indonesia.

But not every stock has been a winner. KWG Resources, which is drilling for gold in Cuba, soared to C\$20 on the Montreal stock exchange in late February. But its shares had tumbled back below C\$12 in early April after drilling results failed to meet expectations.

Mr Martin acknowledges that the best opportunities for investing in Latin American mining may be past. Shares of most exploration companies with interests in the region have slipped from their early 1995 peaks. For instance, Guyana Resources was trading at C\$10.75 in early April, almost a third below its peak.

The focus of exploration finance in emerging markets has recently moved on to south-east Asia and Africa. Despite his long-term confidence, Mr Giustra calls the market in junior exploration stocks "the mother of all lotteries".

SOME MINING PROJECTS IN LATIN AMERICA

Deposit Country Company Cost (\$m)

Colchagua Chile Falconbridge/Ang. American 1,500

El Abara Chile Cyprus/Codelco 1,000

Salobo Brazil Anglo/CRVD 800

Alumbrera Argentina MIL/Must 750

Zaldivar Chile Ototolumpu/Placer 600

Candelaria Chile Phelps Dodge/Sumitomo 500

El Indio Region Chile Barrick Gold 500

Radomiro Tomic Chile Codelco 500

Quellaveco Peru Anglo American 500

Escondida Chile BHP/FRIZ etc 550

Cerro Verde Peru Cyprus/Amex 400

SPCC Peru Anglo 350

Las Cristinas Venezuela Placer Dome 400

Lomo de Hierro Venezuela Anglo Jordex 300

Centenario Peru new owner 500

Cerro Corona Peru Barrick Gold 250

Refugio Chile Bema/Amex 200

Cerro Vanguardia Argentina Anglo American 200

Various gold Mexico various 200

Tintaya Peru Magma 100

Total Investment \$10,180m

Source: Rio Algom

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NEW INVESTMENT SUCCESS

■ COLOMBIA: by Sarita Kendall

The green and the black

As the coal industry steams ahead, emeralds are to be given a higher profile

jon, which is operated by the Exxon subsidiary Interco, produced 13.5m tonnes and a coal washing plant now being installed should raise output by at least 2m tonnes.

The steam coal deposits run southwards from northern Cerrejón to the Drummond mine at La Loma. Both Drummond, which is building up to production of 12m tonnes a year, and the northern Cerrejón mine have purpose-built infrastructure with ports at Ciénaga and Puerto Bolívar respectively. However, smaller-scale operators in the area between the two big mines are trucking coal to the Caribbean.

Ecocarbon, the state coal enterprise, is putting up four

America - will have to be improved separately. Companies recently agreed on a draft of the new law at a round table organised by Austrade: the private sector will be responsible for exploiting mining resources and promising areas will no longer be frozen for state ventures; leases will last for an indefinite period, with no reversion of mines or infrastructure to the state; red tape will be reduced and the requirements for environmental permits will be simplified.

If all this sounds too good to be true, Mr Vargas points out that the legislation will certainly take more than a year to get through and it will probably be水土保持 along the way. Despite existing dis-

advantages, including a lot of

guerrilla activity in mining areas, Colombia continues to attract foreign interest.

Mr Antonio José Sanchez, head of the state mining company Minerales, hopes to attract more interest with a series of emerald mining events in November.

Colombia will host the first world emerald congress, with a display of equipment and jewelry, and an auction of gemstones and trips to the mines.

"We produce 60 per cent of the world's emeralds and the most beautiful ones," said Mr Sanchez. "We want to show off our emeralds and invite investors and scientists and marketing experts. It's time to

make it."

Although nickel earned \$1.85m in 1995, compared with \$2.74m for gold, nickel exports are edging up. The Cerro Matoso plant will be increasing production by 11 per cent this year to 60m lbs. Mr Fernando Jaramillo, the manager of Cerro Matoso, says a \$20m investment programme to "de-bottleneck" the plant will take output up to 80m lbs by the year 2000. This should make the sale of 47.7 per cent of the Cerro Matoso operation an attractive proposition and the government hopes to have the guidelines for the sale laid out by the end of this year.

blocks ranging from southern Cerrejón to the La Loma area for exploration and exploitation, as well as a 2m tonnes a year project at El Hatillo.

There are plans for a separate deep-water port to serve producers around La Loma, while studies for another port which would channel exports from the centre zone of Cerrejón are also under way. Even without the new projects, current developments should take Colombia's steam coal exports over 30m tonnes by the year 2000.

The reforms to the mining law will help make Colombia more competitive, though changes to royalty payments - among the highest in Latin

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■ BRAZIL: by Jonathan Wheatley

Return to a golden age

Brazil's stability may revive its mining reputation to a level not seen for 200 years

Mr Miguel Navarrete, the new director general of Brazil's national mining department (DNPM), has big ambitions. "Brazil could easily become the biggest mineral producer in Latin America," he says. "We will soon return to our natural position as a great mining nation."

There is good reason for Mr Navarrete's optimism. Last September, congress voted to remove from the constitution a ban on foreign control of mining operations. Brazil's new economic stability provides a better operating environment, and tax changes add to the attraction. Brazil, says a foreign executive, "certainly has the natural endowment to justify aiming for leadership in Latin America."

Brazil has not enjoyed such prominence in mining since the 18th and early 19th centuries, when it was the world's biggest gold producer. When other countries caught up, its boom-bust economy turned to coffee and rubber and a century went by before mining again became significant during the country's post-war industrialisation.

Although its mineral resources remain greatly under-exploited, however, Brazil is no lightweight. Government-controlled mining giant Companhia Vale do Rio Doce (CVRD), which may be privatised by next year, is the world's biggest exporter of iron ore. The country is also a big producer of bauxite, kaolin, manganese, gold, tin, gemstones and many industrial minerals. But the potential for expansion of the industry is enormous. Vast areas of Brazil - which covers 8.5m square kilometres, or about half of South America - remain unexplored, although gold is known to be present in most parts of the country.

Other than CVRD, which spends up to \$30m a year on exploration, few Brazilian companies have the resources to locate and exploit new mineral deposits. That means much investment has come from foreign companies. When the 1988 constitution limited foreign participation in mining operations to 49 per cent,

investment in exploration immediately dropped, from \$150m a year between 1980 and 1988 to around \$50m a year since then.

Some foreign companies were able to live with the restriction. RTZ-CRA, which has been in Brazil since 1971, says it has spent around \$10m a year on exploration in recent years, operating through joint ventures with local partners. The change in the constitution means a lot in terms of freedom to operate, but the restriction never stopped us investing in exploration," says Mr Júlio Lameiras Carvalho,

New arrivals should hasten modernisation of gold mining, still largely carried out by wildcat gangs

financial director at RTZ-CRA's office in Brasilia. "We took a long-term view, and we always expected the restriction to be lifted eventually."

The same is true for some new arrivals. Barrick Gold, which has been in Brazil for three years, says it will spend at least 10 per cent of this year's \$12m worldwide exploration budget in Brazil. "The constitutional change didn't lead us to increase our budget, but we're very happy about it for operation reasons," says Mr Alan Hill, vice-president for corporate development in

Toronto.

For others, though, the end of the ban on foreign control acted like a starting gun for a new gold rush. According to the mines and energy ministry, about 60 foreign companies have sent delegations to Brazil for the first time since the end of last year, almost all of them interested exclusively in gold. Investment is rising accordingly. Mr Navarrete says the DNPM says spending on exploration should reach \$200m a year by the end of the decade.

The new arrivals should hasten the increasing modernisation of gold mining in Brazil, much of which is still carried out by wildcat "garimpeiros" working surface deposits. From a peak of about 300,000 in 1980, the number of garimpeiros has dwindled as surface mines have been exhausted; their share of Brazil's gold production has fallen from 90 per cent of the 40 tonnes produced in 1980, to 34 per cent of the 55 tonnes produced last year. As the garimpeiros move on, new entrants will drill deeper for underlying reserves.

Other changes are making the operating environment more attractive. One is the greater autonomy enjoyed by the DNPM since 1994. It is responsible for granting and overseeing mining licences and for promoting investment in mining. Industry observers say the DNPM was regarded in the past as slow-moving and inefficient. Its new status, they say, has resulted in faster processing of licences; Mr Navarrete's appointment in March was particularly welcomed. "He has good ideas, he should get the DNPM into shape," says one executive.

Some observers are concerned that CVRD and other Brazilian companies are sitting on exploration licences for large parts of the country, leaving little room for new entrants. The DNPM grants licences for three years, renewable for a further two; if it is not satisfied that licensees are actively exploring the property, the licence is revoked. "There's a general industry awareness that this system hasn't worked in the past," says another executive, "but the situation is certainly improving."

Recent changes to corporate income tax and withholding taxes on foreign companies have improved the fiscal position of foreign operators. But executives say Brazil still taxes heavily. Like local businesses, they want to see a reduction in the social security and other payroll taxes that add over 100 per cent in additional charges to the cost of paying each worker.

Mr Navarrete says the DNPM is lobbying for specific tax breaks for mining companies, but any progress is likely to take time.

Other costs have risen recently. Various government departments like to quote surveys showing that costs of mineral exploration in Brazil are on a par with those in Australia and much lower than in Canada.

Mining executives say this is true outside the Amazon basin. Inside the Amazon, where many foreign companies are looking for gold, transport and infrastructure costs are much higher. "Costs like air transport, drilling, vehicles, are absurdly high," says one executive.

Despite these reservations, foreign executives are unanimously positive about Brazil's prospects. "We are very enthusiastic about Brazil. It's a very good place to be," says Hugh Legatt of Placer Dome's corporate affairs department in Vancouver.

Mr Navarrete hopes more companies will feel the same way. With the upturn in Brazil's economy over the past two years, he says, "Brazilian mining companies have not been able to supply the needs of local industry." He says the industry needs to invest \$4bn in exploration and \$31bn in production between now and 2010. "To achieve that, we need to keep improving the investment climate."

BRAZIL'S MINERALS PRODUCTION 1994

MINERAL	TONNES	US\$bn (1992 values)
amethyst	191,900	111.4
bauxite	8,280,800	208.5
kaolin	933,000	104.5
coal	4,336,800	103.3
copper	39,674	200.4
chromite	147,200	41.4
ornamental stones	2,000,000	234.8
tin ore	22,500	182.9
iron	165,851,000	1,853.8
phosphate	3,535,400	220.1
nickel	1,880,000	45.7
gypsum	879,800	5.6
manganese	279,800	35.2
manganese	2,221,000	138.8
nickel	16,508	98.8
nickel	14,400	13.3
gold	71,000 kg	911.5
potassium	230,400	48.6
zinc	187,904	174.3

Source: DNPM

■ VENEZUELA: by Raymond Colitt

First steps on the ladder

Mining companies are to be lured with incentives devised for the oil industry

By removing foreign exchange controls and implementing an overall economic stabilisation plan, Venezuela is trying to reassure foreign mining companies interested in the mineral-rich Guiana Shield, the mass of rock underlying almost half of Venezuela.

tion and opening the doors to foreign investment."

Congress is looking at legislation to open up the mining sector, currently dominated by the state-owned Corporación Venezolana de Guayana (CVG). It would introduce a regulated tender process for mining concessions instead of the old practice of allocating properties on a "first-come basis".

Investors would team up

with a new state holding company similar to PDVSA in the oil sector, rather than with CVG or the ministry of mining. "The lack of a modern mining law is a serious drawback to operating in Venezuela," says Eric van Heyst with Monarch Resources, the largest private gold producer in Venezuela and one of the companies that entered into a joint-venture with the CVG in a first semi-official attempt to attract foreign investment in the 1980s.

Monarch, which set up shop in Venezuela in 1987, operates and owns a 51 per cent share in the Revenim gold mill, which in 1994 produced 23,574 ounces.

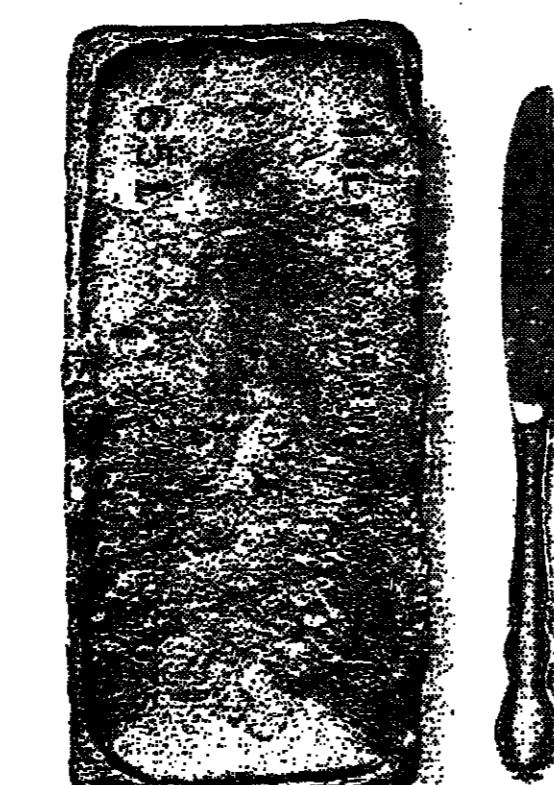
Beginning in May, 10,000 tonnes of hard rock feed per month from El Callao Mining Corporation's Lo Incredible property will boost the mill's gold output by some 25,000 ounces over the next year.

One disincentive could be a plan to raise royalties from 1 to 4 per cent. However, Mr Arrieta says he is having second thoughts about this. "Our main concern is to be competitive on the international level," he says.

Among foreign companies who are closely studying the government's thinking is Canada's Placer Dome, which recently presented its minority-share holding partner CVG with a half-billion dollar development plan for Las Cristinas gold deposit, the largest identified in Venezuela.

With estimated mineable reserves of 8m ounces of gold, the operation could produce an average of 450,000 ounces of gold per year for 14 years at an average total cost of \$310 per ounce, net of copper credits. A final authorisation hinges on the completion of talks to clarify the fiscal and regulatory regime. Mr Arrieta said that Placer Dome and the mining sector in general could also be given a special investment regime with "certain tax concessions" similar to those in the petroleum sector.

As well as gold, Venezuela sees potential in other minerals. A recent find of significant kimberlite deposits in the south-eastern state of Bolívar has increased hopes of boosting diamond reserves and production from its current 295,116 carats.



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Whenever You Find Gold

■ BOLIVIA: by Sally Bowen

Exploration stampede

More than 35 companies have joined the latest hunt for precious metal deposits

Marc Teisseire, is in a joint exploration venture with Eggercrest of Vancouver.

Prospectors have identified a gold-bearing anomaly at least 45km by 15km but "it's a mineralisation not known in Bolivia and, so far, no-one really understands it", he says. According to Mr Teisseire, the daunting security problems in the lawless frontier zone have now been controlled and agreements reached with the "baranquilleros" or informal miners already digging out gold with pick and shovel.

Much further east, in the pre-Cambrian zone, another gold deposit is due to come on stream in October. This is Pingu Norta, a joint venture between RTZ-CRA and Comibol, Bolivia's largest privately owned mining company.

The 35-plus foreign companies, which include a large number of Canadian juniors but also some big names, are spread across the national territory through the bulk of exploration interest is in three main areas. These are the "Las Líper" deposits in the south near the Argentine border, the pre-Cambrian shield to the east and the altiplano zone north of La Paz.

Most of the newcomers are in search of large deposits of precious metals: gold or, increasingly, silver. Much excitement surrounds the San Simon area, in the extreme east of Bolivia, close to the border with Brazil. Here Bolivia's Excalibur, headed by pioneering Corsican-born Mr Jean

Latin America after Peru's Yanacocha - is responsible for the greater part of this.

"But within the next four years or so, Bolivia could easily have another eight gold mines on stream," says mining consultant Mr Charles ("Scotty") Bruce.

The gold-led recovery is a welcome change from the years of depression which followed the collapse of tin prices in the 1980s. Last year, miners generated \$530m, or 248.8m sold outside the country (37 per cent more than in 1994), some 44 per cent of total export earnings.

Comibol continues to auction its undeveloped deposits. On July 19, private sector prospectors will have a fourth chance to acquire properties via joint ventures or leasing.

Capitalisation (by which a "strategic partner" bids for 50 per cent of the state assets and brings in much-needed investment) of Comibol's tin and antimony smelters at Vinto has suffered considerable delay. Much of this responds to resistance by workers in the Huancani and Colquij mines which Comibol would like to include in the Vinto package.

Both are world-class, if relatively small, mines with many years of life ahead of them. Renison Gold of Australia, Glencore of Switzerland and Parana-Panema of Brazil, all pre-qualified to bid for Vinto, are believed to maintain a keen interest. So far, however, the hostile workers (970 of them between the two mines) have inhibited on-site inspections.

■ ARGENTINA: by David Pilling

The barriers have fallen

The removal of Argentina's bias against foreigners has opened the floodgates

A few years ago, Argentina did not figure on the mining map.

But a handful of spectacular mineral finds, progress towards economic stabilisation and the overhaul of previously off-putting mining and investment codes have changed all that.

A recent poll of mining analysts placed Argentina first out of 140 countries as offering the best opportunities for discovering mineral resources. More than 50 mining companies from Canada, Australia and South Africa are already

alist tendencies had for half a century blocked foreign investment in non-renewable resources.

The gap left by foreign capital had not been filled by local investors, who preferred to make money by speculating in the high-inflation economy, or reaping hand-some profits from the country's rich agricultural land.

The market-oriented administration of President Carlos Menem has moved to reverse decades of neglect by seeking to promote mining investment. New laws offer foreign companies reasonable and constant tax levels for 30 years, as well as several investment incentives, such as the import of

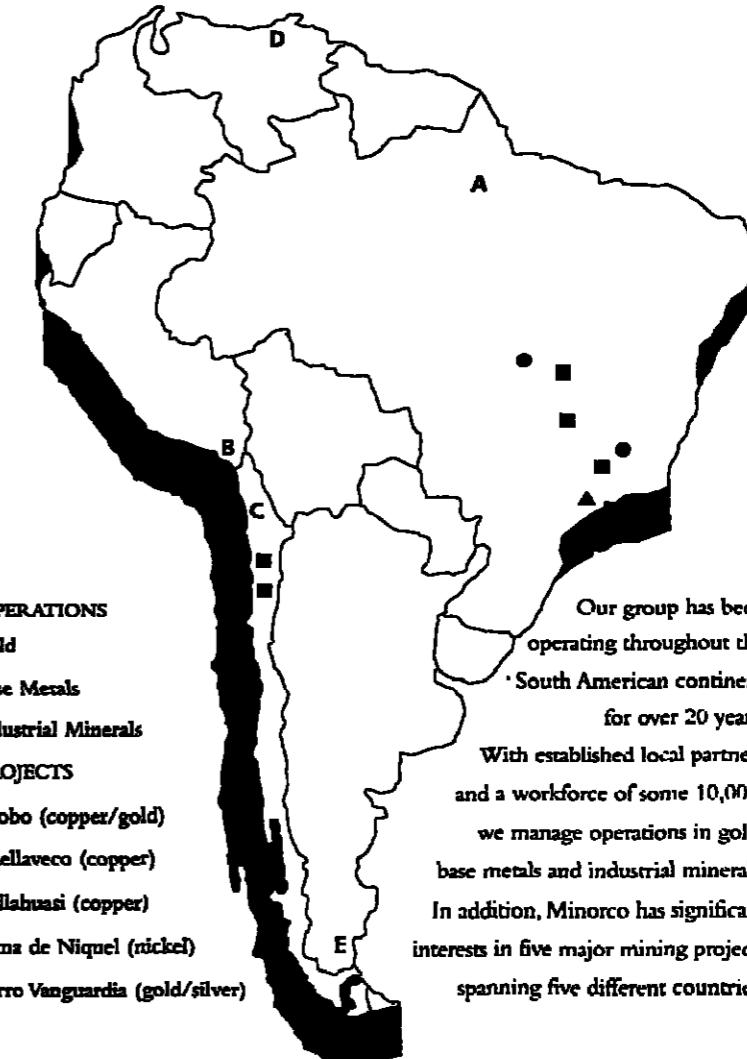
capital equipment exempt of value-added tax.

The federal nature of the constitution, which gives each of Argentina's 24 provinces ownership rights over mineral resources in their jurisdiction, has been partially overcome by capping the royalties that provincial governments can charge. Many mining executives say that, at least on paper, Argentina's mining code is among the most attractive in the world.

Such changes have given rise to extensive exploration, both in the western Andean provinces, which share a

Continued on next page

A MINE OF EMERGING POTENTIAL



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IV LATIN AMERICAN MINING

■ PERU: by Sally Bowen

Everything must go

Copper and other reserves are to go under the hammer in a series of state auctions

After a quiet spell, mining privatisations - which jumped foreign investor interest in Peru - are set to recommence with the auction of the important copper deposit of Antamina in mid-May.

Antamina marks the unofficial kick-off of a second attempt to transfer state mining and refining giant Centromin to the private sector. After failing to attract a single bid when offered as one unit in May 1994, Centromin has now been split into a series of production units and undeveloped prospects.

"I have no doubt whatsoever that the Antamina sale will be successful," says Mr Juan Carlos Barcellos, president of Centromin and head of its Cepri, or special privatisation committee.

Several major international companies are completing geological studies prior to the April 26 deadline for pre-qualification.

Located in the department of Ancash north-east of Cerro de Pasco, Antamina is one of Peru's prime copper prospects. Its 125m tonnes of proven and probable reserves also include important quantities of zinc, silver and molybdenum. Potential reserves stand at 913m tonnes, according to Centromin officials.

Peru is under pressure from multilateral organisations and its current account deficit

- to speed up privatisations, so it seems likely that the ambitious timetable for Centromin will broadly be adhered to. Antamina is due to be followed by Quicay, a prospect in central Pasco department which has potential reserves of 15m tonnes of gold-bearing ore averaging 1.84 grams per tonne.

Two of Centromin's seven mines, polymetallic Yanacocha and the Casapalca silver and zinc mine, will follow. Mr Barcellos says there will be no more than six weeks between auctions.

Centromin's first stage sell-off is scheduled to culminate with bidding for the refinery complex at La Oroya.

Rather than outright sale of assets or shares, privatisers will seek a capital injection to diversify themselves of the hard-to-sell giant.

La Oroya is one of the world's few metallurgical complexes with the capacity to refine highly complex concentrates. It consists of two smelters, four refineries and a series of related circuits which together produce five main metals (copper, zinc, lead, silver and gold) plus 17 by-products and industrial chemicals.

The present smelter was

commissioned in 1922 by the US-owned Cerro de Pasco Corporation, replacing the original 1906 installation. Not surprisingly, the elderly complex (expropriated in 1974 by the then military government of General Juan Velasco) has built up a series of severe environmental liabilities over the years. These were instrumental in deterring potential bidders two years ago.

But gold has been Peru's

most visible success story over the past three years. The extraordinary deposit of Yanacocha, in the northern Andean department of Cajamarca, continues to yield more gold-rich anomalies. A third mine has started production this year, and is conservatively expected to boost 1996 Yanacocha output to \$25,000 oz.

Next year, when "Project X" comes on stream with a new plant and leaching pads and a fresh financing package, output will leap.

The Yanacocha joint venture between Newmont Mining of the US, Peru's Buenaventura and BRGM of France promises to remain the largest - and, with cash costs of under \$120 per oz, easily the most profitable - gold mine in Latin America for a long time.

Not all Peru's best prospects for the future depend on newcomers, however. Asarcov-owned Southern Peru, the oldest-established foreign mining concern in the country and producer of more than 50 per cent of Peru's copper, is substantially increasing output. A new solvent-extraction/electro-winning plant is already functioning at Southern's Toquepala mine; it will produce some 39,000 tonnes of copper cathodes this year, equivalent to 9 per cent of national output.

Southern Peru is also considering a big expansion of its two huge open-pit mines. Last year, it announced a 68 per cent increase in proven and probable reserves to a total of 1.3bn tonnes of sulphides plus 678m tonnes of leachable reserves. Engineering studies are under way to determine how best to develop them.

New investments are already making an impact on overall mining production figures. Copper output was 10.8 per cent higher in 1995 than the previous year, at just under 405,000 tonnes. Silver was 9.6 per cent higher with output of 66,789,000 oz. Tin, too, was 10.1 per cent up as privately-owned Minusur kept up expansion.

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■ CANADIAN MINING COMPANIES: by Bernard Simon

Time to learn Spanish

Canadian mining executives are weighing the pros and cons of going south

to the same piece of land, have complicated negotiations between mining companies and the authorities.

A spate of tax rises in the late 1980s and early 1990s pushed the mining tax rate to 51 per cent in British Columbia, and not much lower in other provinces. Placer Dome estimates that new BC tax measures cost it an extra \$680,000 in 1993.

But a number of special factors have also fuelled Canadian interest.

Geography is one. Santiago is just one time zone ahead of Toronto. Mr Ian Delaney, chief executive of Sherritt International, which has a 50 per cent stake in Cuba's biggest nickel mine, notes that it takes less time to fly from Toronto to Havana than to the company's refinery at Fort Saskatchewan, Alberta.

The Canadians are active in almost every country in the region. Canada has in some recent years been the biggest foreign investor in Chile. But Canadian geologists are also scouring Panama, Nicaragua, French Guyana and Suriname.

The complaints centred on three main issues: tightening environmental curbs, land ownership disputes, and high taxes.

A maze of environmental laws - including overlapping federal and provincial jurisdictions - have slowed, and in some cases killed, new mining projects. Industry confidence sank to its lowest ebb in 1993 when British Columbia proclaimed a protected wilderness area on the site of the proposed Windy Craggy copper mine in the remote Tatshenshini Valley.

Unresolved aboriginal land claims, sometimes involving

perhaps the biggest shot in the arm to the Canadian industry has come from two big discoveries - diamonds in the Northwest Territories, and nickel at Voisey's Bay, Labrador.

An environmental review panel is currently studying plans by SEP, the Australian group, for a diamond mine in the Lac de Gras region, 300km north-east of Yellowknife. Voisey's Bay is set to become one of the world's biggest and lowest-cost nickel producers. Production is expected to start in 1999 or 2000, depending on how quickly the federal and Newfoundland governments give the go-ahead.

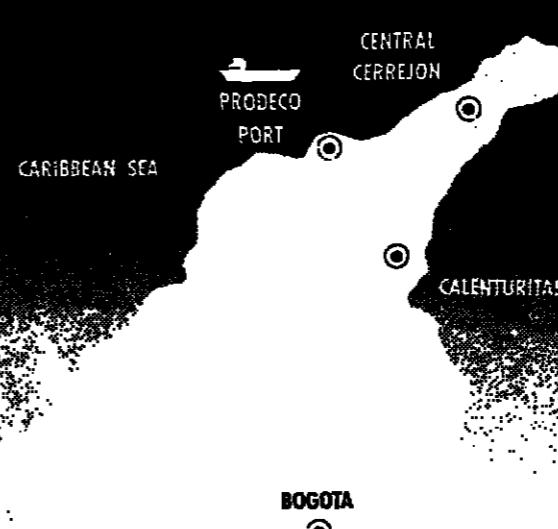
"People will be watching to see whether approvals are given in a relatively straightforward fashion," Mr Miller says.

Despite its drawbacks, Canada retains significant attractions. Brook Hunt, the US consultancy, estimated in 1993 that the average miner at Highland Valley, a large British Columbia copper mine, earned 2.6 times more than his counterpart at Chuquicamata in Chile. However, that was more than offset by estimates that the Canadian miner produced 4.6 times more ore each year.

Canada's efficient transport system means that mines need carry lower inventories of parts and supplies than many Latin American operations. An absence of exchange controls and a transparent public-sector decision process also helps.

The provinces have shown a greater enthusiasm for mining development in the past year or two as the public's priorities have swung from conservation to job creation. Several mine applications have been approved, including in British Columbia.

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Continued on next page

FT GUIDE TO THE WEEK

MONDAY 22

Palestinian council convenes

The 450-strong Palestinian National Council meets in Gaza in what will be the first PNC meeting on Palestinian land. It will also be the first time that the Israeli-Palestinian peace accords are submitted for democratic discussion by Palestinian representatives both inside and outside the Palestinian territories. However, the Syria-based Democratic Front for the Liberation of Palestine, which wants Israel to remove all preconditions on their return from exile, says its 32 members may boycott the event. The council will discuss removing articles from the Palestinian charter calling for the state of Israel's destruction. This is a central demand by Israel for continuing the peace process.

IMF discusses debt policy

The policymaking "interim committee" of the International Monetary Fund meets in Washington. Topics under discussion include the world economy, standards for national economic data, poor country debt and ways to deal with Mexican-style financial crises. The most contentious issue is expected to be a proposal by the IMF and the World Bank to tackle the debt burdens of eight to 20 of the world's poorest and most heavily indebted countries. Some finance ministers on the committee are expected to argue that the IMF and Bank are putting too much of the onus to contribute to the initiative on individual creditor governments rather than on the organisations themselves.

Rifkind fights EU over beef

Malcolm Rifkind, the British foreign secretary, will press the case for the early lifting of a worldwide ban on British beef when he meets EU foreign ministers. Mr Rifkind will make the case that the ban is not based on scientific evidence and should therefore be lifted. On Tuesday, Douglas Hogg, the British agriculture minister, will meet Franz Fischer, the EU commissioner for agriculture, in Brussels. They are expected to discuss UK plans for a selective slaughtering campaign in Britain designed to restore consumer confidence in beef.

UN acts against landmines

About 55 countries meet in Geneva in an attempt to agree a ban on certain landmines (to May 3). The United Nations estimates 110m mines are scattered in 64 countries, killing or maiming 20,000 civilians each year. Humanitarian groups and an increasing number of governments want all anti-personnel landmines banned. However, this is opposed by countries saying they are needed militarily.

EU debates fish quotas

A flexible quota system will be among the main topics discussed at a meeting in Brussels of European Union fisheries



As elections in Israel loom, Shimon Peres, the prime minister, faces growing pressure to implement a ceasefire between Israel and Hezbollah in Lebanon

ministers. The system would provide for member states that exceed their quotas in one year to have their quotas cut by a proportional amount the following year. Also to be discussed are proposals for reducing the permitted size of drift nets, although agreement is unlikely. The council will set tariff levels on the quotas of fish imports permitted from non-EU countries and debate the need to reduce EU members' fleet capacity.

King Sihanouk in Paris
King Norodom Sihanouk of Cambodia begins a four-day official visit to Paris, aimed at reinforcing political, economic and cultural links with France. Cambodia is due to join the Asean group of south-east Asian countries next year and France is keen to help rebuild the country's war-shattered economy. France also wants to reinforce the status of French in Cambodia, which belongs to the "Franco-phonic" organisation of French-speaking countries due to hold a summit in Vietnam later this year.

Cuba mission to UK
A Cuban trade delegation addresses a seminar in London organised by the Caribbean trade advisory group to the British Overseas Trade Group. Ministry officials and industrial leaders will discuss trade and investment following the US decision to tighten its embargo by potentially extending sanctions to other countries dealing with Cuba.

Hanover industrial fair starts
The Hanover industrial fair, the world's largest, opens its doors to show off products exhibited by 7,221 companies from 68 countries - a record turnout expected to attract about 300,000 visitors to (April 27).

TUESDAY 23

OAS conference on terrorism

An inter-American conference on terrorism opens in Peru. Sponsored by the Organisation of American States, the meeting is expected to be attended by interior ministers from all member countries. A curious absentee from the guest list is Kevin Vidal, the Peruvian general responsible for capturing the continent's most notorious terrorist of recent years - Abimael Guzman, the founder of the Maoist group which has ravaged Peru since the 1980s.

Saleroom

The most highly charged auction of the year opens in the evening at Sotheby's in New York - the start of the dispersal of about 1,200 objects from the Fifth Avenue apartment of Jacqueline Kennedy Onassis. Most of the items for sale have little artistic value. However, so great is the popular desire to own something which once belonged to the most famous American woman of the century that a \$5m (£3.2m) estimate for the collection seems modest. Some believe this figure will be exceeded tenfold.

Greek PM visits Major, Bruton
Costas Simitis, the Greek prime minister, visits London and Dublin for talks with his UK and Irish counterparts, John Major and John Bruton. Mr Simitis, who took over in January, wants backing for Greek efforts to persuade Turkey that the International Court at the Hague should

settle the quarrel over sovereignty in the eastern Aegean.

EU acts on pricing

A new pricing system for packaged goods is likely to be approved by EU consumer affairs ministers in Luxembourg. The proposals oblige retailers to show the selling price of the item and the price per unit. There will be exemptions and a grace period for certain products and smaller businesses. Ministers will also discuss priorities for consumer policy and consumer access to justice.

Public holidays

Belarus, Israel, Turkey.

WEDNESDAY 24

WTO in banana dispute

The dispute settlement body of the World Trade Organisation meets in Geneva to consider a request from the US and four Latin American banana producers for an independent panel to rule on the EU's banana import regime. It is claimed the regime discriminates against "dollar" bananas in favour of more expensive lower-quality fruit from former colonies and overseas territories of EU states in Africa, the Caribbean and the Pacific.

Yeltsin signs China deals

A project to transport Siberian gas to consumers in China is among the

ECONOMIC DIARY

Statistics to be released this week

Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual	
Mon	US		1st qtr housing vacancies	-	-	Thur	US		Mar existing home sales	-	3.95m	
April 22	Japan		Feb overall pers consump expend**	2.8%	3.4%	April 25	US		Initial claims w/e April 20	360,000	-	
	Japan		Feb pers cons expend (workers)**	-	2.3%		France		Mar consumer price index final*	0.6%	0.65%	
	UK		Mar M4*	0.7%	0.4%		UK		Mar retail sales*	0.4%	0.6%	
	UK		Mar M4**	9.5%	9.5%		UK		Mar retail sales**	2.1%	1.9%	
	UK		Mar M4 lending	28.0bn	27.5bn		Fri	US		Apr Michigan sentiment fin	-	80.8 (pre)
	UK		Mar bdg soc net new committms	23.5bn	22.9bn		April 26	Japan		Apr cons price index ex-perishables**	0.0%	0.0%
Tues	US		Feb trade bal: goods & services	-\$8.8bn	-\$10.3bn			Japan		Mar consumer price index (nation)*	0.0%	-0.2%
April 23	US		Feb goods & services export (BoP)	\$67.7bn	\$66.8bn			Japan		Mar cons price index ex-perishables**	0.2%	0.2%
	US		Feb goods & services import (BoP)	\$76.5bn	\$76.5bn			Japan		Mar retail sales**	1.8%	0.8%
	US		Mar export price index	-	-0.2%			Japan		Mar industrial prod. prelim**	-4.7%	2.0%
	US		Mar import price index	-	-0.5%			Japan		Mar shipments, prelim**	2.8%	-
	US		Johnson Redbook April 20	-	-6.1%			France		Feb trade balance	FF7.8bn	FF8.4bn
	Japan		Feb coincident indx	100.0%	100.0%			During the week...				
	Japan		Feb leading diffusion indx	80.0%	80.0%			Japan		Apr trade balance (1st 10 days)	-	82.1bn
	UK		Mar CBI industrial trends	-	n/a			Japan		Mar supermarket sales**	-	0.1%
	Spain		4th qtr wage rises**	4.4%	4.4%			Japan		Mar dept store sales**	-	5.1%
	Canada		Mar leading indicator**	0.4%	0.8%			Germany		Mar producer price indx, West	0.2%	0.0%
	Wed	US	Mar durable orders	0.4%	-2.3%			Germany		Mar PPI, pan-Germany*	0.2%	0.1%
	April 24	US	Mar durable shipments	-	1.5%			Germany		Mar PPI, pan-Germany**	-0.0%	-0.2%
	France		Feb industrial production*	0.4%	0.5%			Germany		Mar import prices*	0.3%	0.1%
	France		Feb manufacturing production*	0.3%	-0.4%			Germany		Mar import prices**	-0.4%	-0.8%
	France		95 gross domestic prod. prelim	2.5%	2.5%			Germany		Apr prelim cost of living, West*	0.2%	0.1%
	Canada		Feb retail sales**	0.4%	0.3%			Germany		Apr prelim cost of living, West**	1.4%	1.5%
	Austria		Mar motor vehicle registrations	-3.0%	4.1%							

month on month, "year on year"; seasonally-adjusted. Statistics, courtesy MMS International.

commercial co-operation agreements to be signed when Boris Yeltsin, the president of Russia, visits Beijing (to Apr 25). Mr Yeltsin will also be pushing the interests of Russian contractors in China's \$50bn Three Gorges dam project in Shanghai; he will initial an agreement with China, Kazakhstan, Kyrgyzstan and Tajikistan on improving military consultation on border issues.

Sect leader on trial

The Tokyo district court opens the first hearing in the trial of Shoko Asahara, the leader of the mystical sect Aum Shinrikyo. Asahara is accused of masterminding last year's nerve gas attack on the Tokyo subway, in which 12 people died and more than 5,000 became ill.

Football

The countdown to the finals of the European football championship continues with a "friendly": England v Croatia, Wembley stadium, London.

Public holidays

Armenia, Israel, Niger, Sudan.

THURSDAY 25

WTO telecoms deadline

The deadline falls for tabling final market-opening proposals in World Trade Organisation talks on liberalising the global telecommunications markets. Fifty-one countries are taking part in the Geneva talks, which are due to end on April 25 and expected to go to the wire as western nations, led by the US, try to extract the maximum concessions from developing countries in Asia and Latin America. The US, in particular, says it needs a "critical mass" of other countries to open up their markets to foreign firms.

Public holidays

Australia, Cook Islands, Egypt, Iceland, Italy, New Zealand, Portugal, Swaziland, Tonga, Western Samoa. Also, depending on the sighting of the moon, Bahrain, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, United Arab Emirates.

FRIDAY 26

Peru gas deal on line

Lengthy negotiations between the Peruvian government and a Shell-Mobil consortium are scheduled to culminate in an announcement on the vast Camisea natural gas deposits in the Cuzco department. Shell discovered the deposits almost a decade ago, but progress has been hampered by political, economic and logistical problems. The Camisea fields contain gas and liquid hydrocarbons equivalent to about 2.4bn barrels of oil - around six times Peru's proven oil reserves.

FT Survey

Quarterly Review of Personal Finance (UK only).

Public holidays

Tanzania.

SATURDAY 27

Elections kick off in India

The world's biggest election begins in India with the first of six staggered polling days to elect the country's eleventh parliament since independence. With an electorate of 890m and more than 5m officials supervising 800,000 ballot stations, the poll is a giant feat. It will end in late May. No political party is expected to form a majority alone. The Congress party, which has ruled India for all but a few years since independence, is expected to suffer heavy losses, while the Bharatiya Janata party, the Hindu nationalist and main opposition party, looks set for gains. The likely coalition partners will come from regional, caste and leftist parties.

UN trade role reviewed

The ninth quadrennial United Nations Conference on Trade and Development convenes in South Africa, when delegates will assess the changing role of the UN in an era of rapid economic globalisation. About 2,500 participants, led by ministers, are expected to attend the 14-day event.

Rugby League

Silk Cut Challenge Cup final, Wembley, London.

Horse racing

Whitbread Gold Cup steeplechase, Sandown Park racecourse, near London.

FT Surveys

Quarterly Review of Personal Finance (UK only).

Public holidays

Sierra Leone, Slovenia, South Africa.

SUNDAY 28

Clinton gives video testimony

US President Bill Clinton testifies at the trial of Jim Guy Tucker, the Arkansas governor, and his former partners, James and Susan McDougal, in the Whitewater real estate venture. The three are accused of fraud and conspiracy. Mr Clinton will give his testimony from the White House, via video tape.

Motor racing

Formula One European grand prix, Nürburgring, Germany.

Public holidays

Bangladesh, Malaysia, Singapore. Also, depending on the sighting of the moon, Egypt, Tunisia, Turkey.

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